Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.50	Philippines	Pes40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es175
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM9.00	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDH10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira15	Tunisia	Din0.900
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

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Monday April 22 1991

D 8523A

FRANCE
No alternative to policy of rigour
Page 23

World News

Baker denies impatience with Israel on peace effort

US secretary of state James Baker sought to counter reports that he was becoming impatient with Israel and was about to exert stronger pressure to secure its co-operation in his Middle East peace efforts.

"We do not intend to press or obviously to pressure for an answer. We understand that it takes some time to consider the suggestions that we made," he told reporters. Page 24

Mexican phone row

Mexico's National Human Rights Commission (CNDH) has deeply embarrassed its paymasters, the federal government, by complaining officially that its telephones were tapped and that the offices of its president, Jorge Capizo, were being bugged. Page 4

Canadian reshuffle

Canada's long-serving finance and external affairs ministers were both assigned new duties in the most extensive cabinet shuffle since prime minister Brian Mulroney's Progressive Conservative government took office seven years ago. Page 4

Paris scandal grows

The long-running scandal over the illicit financing of French political parties, which has been contained in a murky twilight zone between the judiciary and the state, now begins to look as if it could endanger the government. Page 3

Pretoria's EC goal

The revival of economic ties between South Africa and the European Community will be stressed by President F. W. de Klerk during his visit to London, which officially begins today. Page 4

Iceland poll result

The right-wing Independence party failed this weekend to win a runaway victory in Iceland's general election predicted by most opinion polls but it did make substantial gains. Page 3

Kuwait cabinet row

Kuwait's organised opposition groups condemned the emirate's new cabinet saying it indicated no will by the ruling al-Sabah family to cede any power. Page 24

Tamils shoot 22

Tamil separatist guerrillas shot and hacked to death 22 Sinhalese villagers on Saturday night in east Sri Lanka, police reported.

Woman leader

Norway's main opposition Conservative party elected a 40-year-old woman leader at the weekend, in a further advance for the country's already high female participation in politics. Page 2

Scud kills 300

Up to 300 people were killed in an Afghan government Scud missile attack on the rebel-held north-eastern town of Asadabad, a rebel spokesman said.

Bulgarian monarchy

Bulgaria's exiled King Simeon said at the weekend that the restoration of monarchy would be the best way to revitalise his country after four decades of communist rule.

Indians shoot family

Indian security forces tied up and shot seven men and boys, all members of the same Kashmiri Moslem family, in what seems to have been a calculated act of brutality to deter villagers from helping Kashmiri separatists. Page 2

O'Faolain dies

Sean O'Faolain, whose beautifully crafted short stories won him a reputation as the "Irish Chekhov," died in Dublin following a brief illness. He was aged 91.

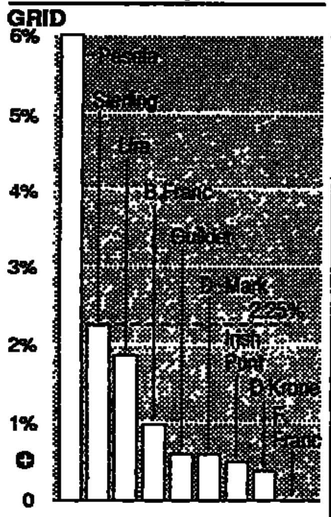
Business Summary

Interest rate differences cause split among G7

Differences on interest rates have opened a division among the Group of Seven industrialised countries which some officials say may be as wide as at any time since the group started economic policy co-ordination in 1985. Page 24

EUROPEAN Monetary System – Speculation that the Spanish peseta and sterling may move from a 6 per cent band to the 2.25 per cent band restricting other members of the exchange rate mechanism drew a reaction of "no comment" from the Bank of Spain and UK Treasury on Friday. The peseta remained at its ceiling against the lowest placed French franc, unmoved by the removal of virtually all Spanish exchange controls. The D-Mark weakened after the Bundesbank failed to increase official interest rates at Thursday's council meeting. Currencies, Page 35

EMS April 19, 1991



The chart shows member currencies of exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise by more than 2.25 per cent from the weakest currency in that part of the system. Sterling and Spanish peseta operate within 6 per cent fluctuation bands.

FUTURES: A bill passed last week by the US Senate on the reform of the futures markets will remove significant legal uncertainties for the huge market in interest rate and currency swaps, according to the International Swap Dealers Association. Page 25

REUTERS, international information technology group, is holding talks with Thames Water and STC, the British telecommunications group, about the possibility of forming a network to transmit Reuters financial information to clients in the City of London. Page 25

BRITISH industrialists do not expect economic growth to resume until the final three months of the year, and when the recovery arrives it will be very gradual. Page 24

BULGARIA'S $1.8bn debt rescheduling by the Paris Club of sovereign creditors is likely to pave the way for a further rescheduling of its $8.5bn debt to the London Club of commercial creditors. Page 2

NEW car sales in western Europe (including eastern Germany) fell by 3.3 per cent in March, to an estimated 1.32m. Page 2

SAUDI Arabia and five Gulf Arab states, keen to reward their Gulf war allies, began talks in Riyadh on how they should lend their petrodollars. Page 3

VENEZUELA has picked eight international companies to tender for the privatisation of the state-owned telephone company, CANTV. Page 4

Kohl faces election blow as unification problems multiply

By Katharine Campbell in Frankfurt

MR Helmut Kohl, the German chancellor, appeared increasingly beleaguered by the social and economic problems of his unified country last night as his Christian Democratic party (CDU) braced itself for crushing defeat in an important state election.

In yesterday's Land (state) election in the Rhineland-Palatinate, Mr Kohl's home state, the CDU appeared set to lose control of the state parliament to the opposition Social Democrats, according to initial computer projections. If the result is confirmed, it will be the first time the CDU has lost the state since the second world war.

The result will also lose the ruling coalition of Christian Democrats and Free Democrats in Bonn its majority in the Bundesrat, the upper house of the German legislature. The Bundesrat has veto powers over all legislation affecting the states, including tax law.

Yesterday's election amounts to a severe rebuff for Mr Kohl, who made no fewer than 14 appearances during the campaign. Coming only five months after his triumph in the first pan-German general elections, it underlines the extent to which the economic collapse of what used to be communist East Germany is now dogging the CDU. In particular, voters appear to have been influenced by controversy over an increase in taxes needed to pay for the costs of reconstruction in the east.

The CDU in the Rhineland-Palatinate firmly laid the blame for its defeat at Bonn's door. Mr Rudolf Scharping, the Social Democratic candidate who seemed last night all but certain to lead the Land's next government, called the result "a clear defeat for Helmut Kohl."

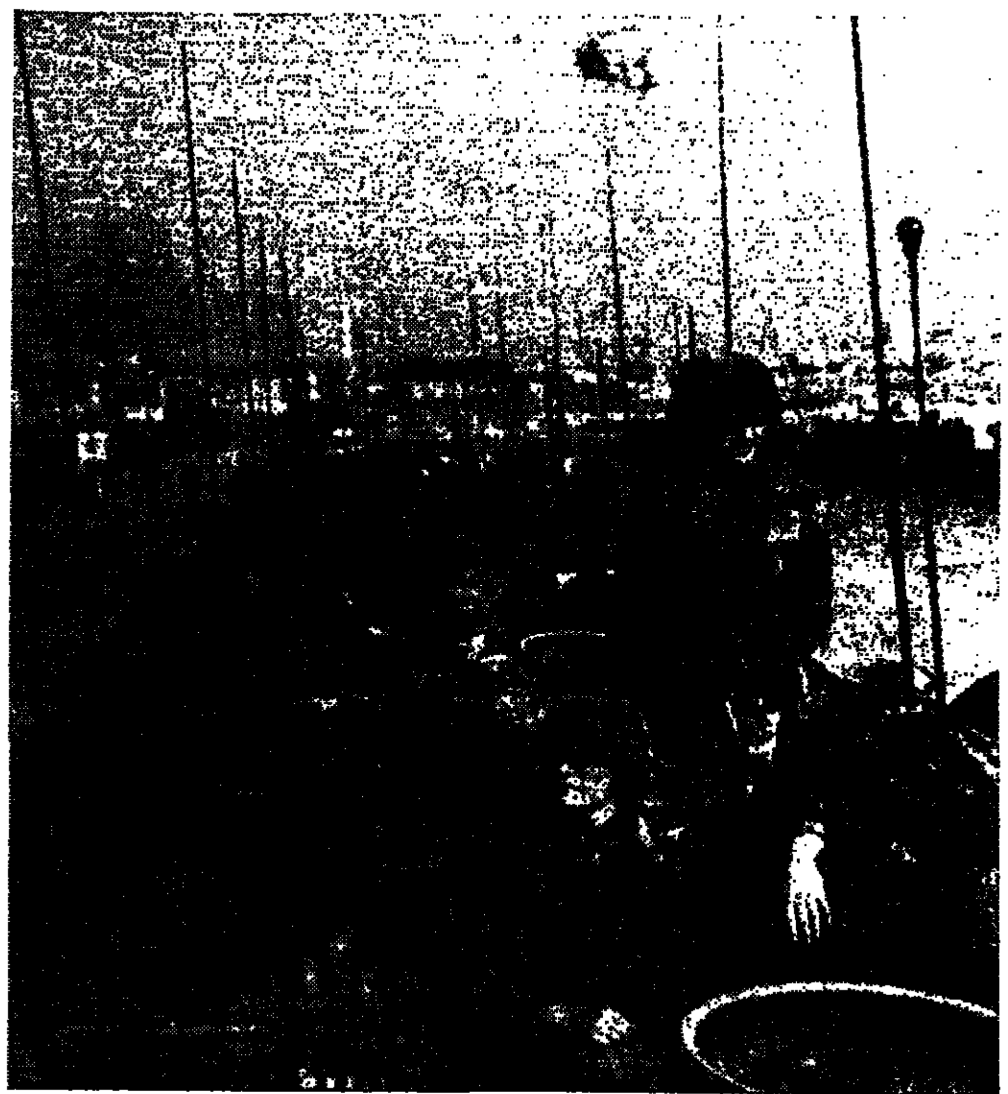
Support for the CDU fell abruptly at Land level in February after the Bonn government – going back on repeated assurances throughout last year that taxpayers would not be called upon to finance the costs of unification – announced a hefty tax surcharge for a year from July.

Mr Scharping's campaign had capitalised on the so-called "tax lies" with the biting slogan on placards across the Land: "One doesn't vote for people who lie like that."

Underlining the secular decline in the CDU's fortunes, this marks the 13th time in 15 national and west German regional elections since January 1987 that the conservatives have slipped at the polls. In elections in the state of Hesse in January, the CDU lost narrowly to a Social Democrat-Green coalition.

Computer projections yesterday indicated that the CDU, with just 38.6 per cent of the vote, would keep 40 seats in the state parliament, a loss of eight; the Social Democrats, with 45 per cent, would gain seven seats for a total of 47.

The Free Democrats, previously in coalition with the CDU in the state, would be left with an unchanged seven seats and 6.8 per cent of the vote. The Green party, experiencing something of a revival in its fortunes after its failure to attain the critical 5 per cent in the December federal elections, slips comfortably into the Mainz parliament with 6.7 per cent of the vote and seven seats; an increase of two.



US Marines in amphibious armoured personnel carriers wait yesterday to leave Turkey for northern Iraq where they will provide security for planned refugee camps

Hardliners call for drastic action on Soviet economy

By Leyla Boulton in Moscow

A STATE of emergency should be imposed throughout the Soviet Union to combat economic chaos and bring rebel republics to heel, according to Soyuz, an influential group of hardline Communist deputies.

"Let Gorbachev impose the state of emergency and show he is a man," Mr Yuri Blokhin, co-chairman of Soyuz, warned at the weekend. "If he does not, the situation will be more painful."

President Mikhail Gorbachev, who has just returned from Tokyo, faces a stark choice of either forming a coalition government or attempting repression to tackle the country's economic crisis.

But Mr Vadim Bakatin, a presidential adviser and former liberal interior minister, said he hoped Mr Gorbachev would heed his advice to compromise. "There are only two possible outcomes: either war or co-operation. He is an intelligent man," Mr Bakatin said.

Efforts are under way to persuade Mr Gorbachev to unite with opposition democrats and republican leaders and form a coalition government capable of effective economic reform. Such reform would revert to the ideas of the 500-day plan supported by the republics but rejected by President Gorbachev last year.

They include an economic union among republics allowing for a single market and currency, a drastic financial stabilisation programme and an early start to privatisation.

Mr Valentin Pavlov, the Soviet prime minister, is due today to present to parliament an anti-crisis programme which is market-oriented. But apart from being criticised as too vague by the country's leading economists, the plan's main weakness is that it assumes political support which the government does not have.

Striking coal miners demanding a new government and market reforms are threatening to bring crucial industrial sectors to a standstill.

Republics seeking genuine sovereignty or outright independence have cut sharply contributions to the central budget.

Recent price rises have angered the population because compensation has turned out to be miserable while supplies are little improved.

Mr Grigory Yavlinsky, the main author of the 500-day programme, said the government plan failed to provide solutions to the budget crisis, the threat of hyper-inflation or the slump in output and foreign trade. Mr Nikolai Petrakov, until recently the president's economic adviser, denounced the Pavlov plan as "nothing more than political declaration" and a "ruse" to attract western support. He said it offered no serious solutions.

"Given this approach, the only kind of solution proposed by the government is a violent one, leading all the way to a state of emergency and martial law," he said yesterday.

It is this option which is being urged on Mr Gorbachev by Soyuz, which has threatened otherwise to try to vote him out of office at an emergency congress of the country's super-parliament.

This would do nothing to cure the sick Soviet economy. Soyuz's economic proposals seem limited to putting the transport system under military control, banning strikes and all political activity.

It is not clear how much support Soyuz – which yesterday appealed for support from the KGB, the military and industry leaders – enjoys in the armed forces and the country at large. However, Mr Gorbachev, who is likely to face sharp criticism at a plenum of his Communist Party's Central Committee on Wednesday, has little time to waste if he is to opt for compromise.

US may seek approval for UN peace-keeping force

By Lionel Barber in Washington and Tony Walker in Cairo

THE United States may seek United Nations Security Council approval for a UN peacekeeping force in northern Iraq to provide security guarantees to the Kurdish refugees, Vice-President Dan Quayle said yesterday.

This would allow the early withdrawal of US marines and other allied forces – whose presence has drawn protests from Baghdad – in spite of their lead role in erecting the first refugee camps for hundreds of thousands of Kurds trapped in the mountains.

Mr Quayle stressed in a television interview that the US presence in northern Iraq was temporary, possibly lasting between 60 and 90 days.

Last week, President George Bush abruptly reversed policy and ordered US troops to take up positions inside northern Iraq, to take the lead in the international relief effort and provide security to the Kurds.

A US military convoy of 50 vehicles moving into the northern town of Zakho to help build a refugee settlement was confronted yesterday by 200 armed Iraqi police whose deployment, the US military said, violated an agreement for Iraqi security forces to withdraw from the town.

US and allied commanders met Iraqi army officers on the Iraqi side of the border on Friday and told them to withdraw their forces to a line 30km south of Zakho to make way for refugee havens and to allow residents to return home.

Both the marines and the Iraqi police, who seemed to have just emerged from several coaches parked in the town centre, were taken by surprise by the encounter.

Moments later, two marine armoured vehicles drove up to the scene and the Iraqi police withdrew.

In Baghdad, meanwhile, a delegation of Kurdish leaders started surprise autonomy talks with the Iraqi regime believed to be focused on ways of encouraging the return to their homes of some 2m refugees.

The leader of the delegation, veteran guerrilla chieftain Jalal Talabani who arrived in Bagdad at the weekend, wants the revival of a 1970 agreement on autonomy for some 4m Iraqi Kurds.

A spokesman for the group, which includes representatives of all the main opposition groups, said it would insist that any autonomy agreement to end conflict between Kurds and Baghdad be supported
Continued on Page 24
Iran Kurdish appeal, Page 3

GM set to challenge Fiat as leader in Poland's car industry

By Kevin Done, Motor Industry Correspondent, in London

GENERAL MOTORS of the US, the world's largest car maker, is set to challenge the leading role in the development of the Polish car industry taken until now by Fiat of Italy.

GM has completed a feasibility study into car assembly in Poland and is expected to begin negotiations with the government and with FSO, the Warsaw-based state-owned car maker, within a month.

The US car maker, which controls more than 12 per cent of the western European car market through its Opel (Vauxhall in the UK) and Saab marques, is considering an investment of about $100m to establish an assembly operation for 30,000-50,000 cars a year (on two or three shifts) at part of the existing FSO facility.

General Motors, with Volkswagen and Fiat, has led moves by western car makers into eastern Europe and is already establishing a car plant at Eisenach in eastern Germany as well as engine, small volume car assembly and components operations in Hungary.

The GM project will compete directly with a more far-reaching rival plan put forward last year by Fiat to reorganise the entire Polish car industry including both state-owned car makers, FSO and FSM.

The US group is understood to be considering assembly of both its Opel Kadett/Vauxhall Astra and Opel Vectra/Vauxhall Cavalier ranges in Warsaw. The project would be expected to attract automotive components suppliers to establish operations in Poland.

The GM assembly operation would be aimed at replacing
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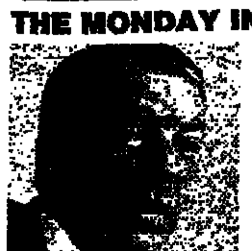
THE MONDAY INTERVIEW



Pehr Gyllenhammar, Volvo's executive chairman, arouses mixed feelings among his fellow Swedes. While some question his business acumen, others like his keen sensitivity to changing customer tastes

FT SURVEYS THIS WEEK

China

Ordinary people continue to face a grim, frugal life as future power-seekers – reformers and hardliners alike – jockey for the patronage of aged leaders. *(Wednesday's survey).*

Growing finance scandal pressure on French PM

By Ian Davidson in Paris

THE long-running scandal over the illicit financing of French political parties, which has been contained in a murky twilight zone between the judiciary and the state, now begins to look as if it could endanger the government.

The weekend saw a chorus of demands from opposition leaders for the resignation of the justice minister and his *deputy, and the announcement* by the Magistrates Association of a day of protest on May 16, their fourth such protest in the past year.

The rising pressure over the financing scandal increases the current difficulties of the minority government of Prime Minister Michel Rocard, which has recently had to abandon or delay two parliamentary bills, because it could see no way of putting together the necessary majority in the National Assembly.

The scandal is essentially historical. In the past national and local construction companies were milked on a massive scale by the Socialist party for contributions: FFr52m (£5.2m) in 1986, FFr58m in 1987, FFr70m in 1988. The basic facts came to light in 1989, and led that year to a new and more rigorous party finance law which should be making any such system impossible.

But the issue now at stake is whether the long-delayed judicial investigation into the scandal will publicly discredit the Socialist party leadership. The other political parties also had various illegal methods of raising their finances. But because the Socialist method was nationally organised, many of their top politicians have been identified by name as having been involved.

The intensity of the pressure on the government was yesterday confirmed by the deputy justice minister, Mr Georges *Kiejman, in terms which* seemed to acknowledge that Mr Rocard could be in danger. He dismissed the opposition demands for his own resignation, but appeared much less dogmatic on Mr Rocard's tenure of the prime ministership.

"Should this left-wing policy be carried out by a different leader?" he asked. "Perhaps we should put a new wrapping round the motor."

The government's current difficulties coincide with a sharp dip in the popularity both of President François Mitterrand and of Mr Rocard in the opinion polls. During the Gulf war both of them benefited from an upsurge in public confidence, but the latest figures indicate this may be over.

A poll by IFOP for the Journal de Dimanche newspaper gives Mr Mitterrand 47 per cent support – down 9 per cent from the previous poll in March. Mr Rocard gets 40 per cent – 3 per cent lower.

It is now becoming difficult to believe that the investigation into the finance scandal can be conclusively stifled.

Kaci Kullmann Five: Already lifting the Conservatives

Norway party picks woman

NORWAY'S main opposition Conservative party elected a 40-year-old woman leader at the weekend, in a further advance for the country's already high female participation in politics, Robert Taylor reports from Stockholm.

Mrs Kaci Kullmann Five is the third woman now heading a Norwegian party, with Mrs Gro Harlem Brundtland, Labour prime minister, and the recently elected Centre party leader, Ms Anne Enger Lahnstein. Norway has a larger proportion of women in political life than any other democracy. Nine of the 19 cabinet members are women, as are 59 of the 165 MPs.

Mrs Five (called Kaci by almost everyone), a mother of two, is a popular choice for the Conservatives. Intelligent and friendly, she promises to bring a breath of fresh air to a party that has become demoralised over the past five years under three elderly male leaders.

Expectation of her election has made an impact on the Conservative position in opinion polls. Two months ago, the party hit an all-time low of 14.4 per cent, but a survey by Opinion A/S at the weekend showed the party at 22.5 per cent – second behind Labour.

Mrs Five was trade minister in the right-centre coalition government that fell last October. Always a champion of Norway joining the European Community, she gave the issue top priority in her inaugural speech to party workers. She wants Norway to apply for membership in step with Sweden, which is expected to apply in June.

An opinion survey yesterday in Aftonposten, Norway's leading newspaper, indicated 47 per cent favouring the country joining the EC (more than in earlier polls) and 45 per cent against.

Full Bulgarian debt rescheduling in view

By Judy Dempsey in Sofia

A DECISION by the Paris Club of sovereign creditors to reschedule Bulgaria's $1.8bn (£1.04bn) debt is likely to pave the way for a complete rescheduling of its $8.5bn debt to the London Club of commercial creditors, according to Mr Todor Vulchev, head of the Bulgarian National Bank.

But the Bulgarian government will not yet ask for cancellation of any of its debt. The debt to the Paris Club is to be rescheduled over 10 years, with a six-year grace period, following the outcome of talks in Paris last week.

Also, negotiations aimed at trying to arrange new terms for repaying $8.6bn are under way with Deutsche Bank, leading a consortium of commercial creditor banks. All payments of interest and principal were suspended by the Bulgarian Foreign Trade Bank in March 1990. Western banks immediately imposed a moratorium on fresh credits until the Bulgarian government guaranteed further payments.

A lack of new credits led to sharp falls in industrial production, down by 10 per cent in 1990. Mr Atanas Paparizov, Bulgaria's foreign economic relations minister, said at the weekend that he expected GDP to fall by 30 per cent by year-end.

However, he remained adamant that Bulgaria "will not favour the private banks to the detriment of the official creditors. We will not repay private banks from government guarantee credits and medium-term credits. We will have to pay these banks on the basis of a growth in GDP and exports."

Mr Ivan Kostov, finance minister, said that, during talks with western commercial banks this month, the latter had "dropped their ultimatum that any discussion of Bulgaria's debt should be linked to the government guaranteeing that debt."

Indians massacre villagers

By David Housego at Malangam, Kashmir Valley

INDIAN security forces tied up and shot seven men and boys, all members of the same Kashmiri Moslem family, in this remote village at the weekend, in what seems to have been a calculated act of brutality to deter villagers from helping Kashmiri separatists.

Villagers who witnessed the killing say that the seven, aged from about 12 to 35, had their hands tied behind their backs lined up against a wall and shot at about a yard's range by members of the Border Security Force (BSF), a paramilitary force used in internal security.

Sharif Din, 45, who had been ploughing in a field below, said that the seven – who had already been beaten up – died weeping and protesting their innocence.

The seven bodies were laid out in the courtyard of the police station at nearby Bandipur where the BSF – identified as 116 Batallion – had taken them. Skin had been badly torn by the stony tracks over which they had been pulled. Two boys still had rope around their feet and another was wearing a shoe, the pair of which we had seen on the mountain.

The BSF reported to the police that the seven had been killed in "crossfire". An eighth man had been killed earlier at Malangam on Saturday. He was Mirza Khan, an area commander of the little-known Al-Buraq militant group, for whom the security forces had been searching and who was found with a weapon. At some point, he had taken shelter in the house of Raja Ali, whose family was questioned and then shot.

The apparently cold-blooded reprisals by the BSF against villagers they believed to be shielding militants or weapons is further evidence of breakdown in discipline among Indian forces in Kashmir.

On Friday, Mr Girish Saxena, governor of Kashmir state, said in an interview that the security forces had been told to use restraint because every excess won recruits for the militants. "We are taking every action to ensure that any ugly incident is not allowed and that excesses are minimised."

There are signs of more restraint in Srinigar, the capital, but his orders seem to have had little effect in rural areas where much of the fighting now is.

India has not allowed Amnesty International to visit Kashmir to investigate repeated reports of human rights violations. Three weeks ago, Kashmiri extremists kidnapped two Swedes in Kashmir in an attempt to force Amnesty or a UN agency to visit the state, in a move that has been widely condemned here.

As we entered Malangam village late in the afternoon, hundreds of villagers, almost all men, were gathered on the hillside to bury the body of Mirza Khan. The BSF had been unable to remove it because they had come under fire from other militants. The killings had done more to win sympathy for the separatist cause than almost anything one could imagine.

Right gains in Icelandic election

By Robert Taylor in Stockholm

THE right-wing Independence Party failed at the weekend to win the runaway victory in Iceland's general election predicted by most opinion polls, but it did make big gains.

The party secured 38.6 per cent of the vote, compared with only 27.2 per cent four years ago, and won an extra eight seats to finish with 26 in the 63-member parliament.

But the three parties in the country's current coalition government performed better than expected, securing 32 seats *between them, or one* more than an overall majority. The centrist Progressive party and the Social Democrats polled 18.9 per cent and 15.5 per cent respectively – close to the 1987 result. The left-wing People's Alliance improved its position with 14.4 per cent.

The Women's Movement suffered a slight setback, polling 8.3 per cent (down from 10.8 per cent) and losing one seat.

Shying away from calls for growth

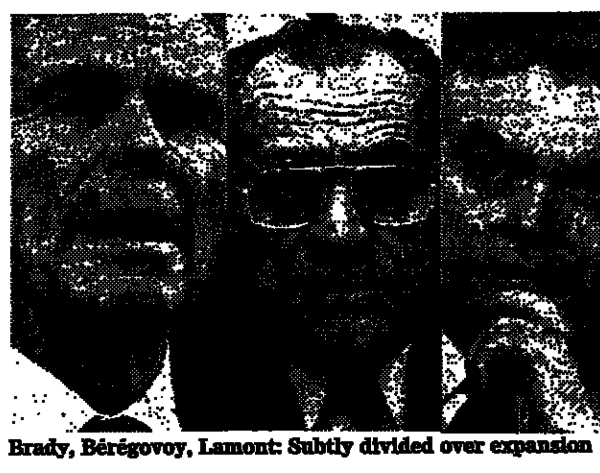
Peter Norman and **Stephen Fidler** look ahead to a G7 meeting

THE FINANCE ministers and central bank governors of the Group of Seven leading industrial countries could be heading for their most difficult meeting in years, when they gather next Sunday in Washington.

During his recent tour of Europe, and at the informal meeting in London eight days ago of the G7 finance ministers, Mr Nicholas Brady, US treasury secretary, surprised his partners by calling on them to adopt more clearly expansionary policies.

The plea, which took the form of a call for lower interest rates, threatens to exacerbate already fraught relationships between the US and some of its partners.

On the world economy, Mr Brady argued that the seven – the US, Japan, Germany, France, Britain, Italy and Canada – should concentrate their economic policies on fighting slow economic growth rather than inflation. Referring to the collapse of communist regimes and the end of the cold war, he said: "We've had the most significant change in world history in all our lifetimes and the idea that we're not going to approach that turn in world history with a positive, optimistic strategy doesn't occur to me as right."



Brady, Bérégovoy, Lamont: Subtly divided over expansion

His belief that the world risked global recession and a credit crunch won some support at the meeting with fellow finance ministers in London. Mr Pierre Bérégovoy, France's finance minister, came closest to identifying with Mr Brady's cause, although he also received some backing from Mr Guido Carli, the veteran finance minister of Italy.

Mr Ryutaro Hashimoto, Japanese finance minister, admitted that Japanese economic growth had slowed and that slower economic growth was a greater risk to the Japanese economy than higher inflation. But he also said Japan would follow a neutral macro-economic policy for the time being.

The US approach was opposed by Mr Norman Lamont, UK chancellor. British officials say that the fight against inflation remains the central plank of economic policy, despite last week's figures showing a record monthly rise in unemployment. Mr Theo Waigel, German finance minister and Mr Michael Wilson, his Canadian counterpart, also put the battle against inflation at the top of their domestic policy agendas.

Their view was that the US administration was falling into an old, discredited trap of believing that there is a trade-off between growth and inflation.

Mr Brady's approach was most explicit at a lunch-time meeting with Mr Karl Otto Pöhl, Bundesbank president, and other members of the bank's directorate a few days before Mr Brady's London visit. There he attempted to persuade the Bundesbank to lower interest rates with the argument that the world was threatened by a global recession and credit crunch.

Mr Brady's plea was flatly rejected by the Bundesbank, which sees no sign of recession in west Germany and no reason to lower its interest rates in the face of domestic inflationary pressure.

European monetary officials believe that the US move is geared to domestic politics and part of a White House-inspired campaign to encourage the US Federal Reserve to ease the monetary reins.

However, there are fears that, if the US persists with its campaign among the G7, next week's meeting – at the spring gathering of the International Monetary Fund and the World Bank – will be very difficult.

The G7 meeting will differ in one important respect from that in London – the central bank governors will be there. The presence of such anti-inflation hawks as Mr Pöhl and Japan's Mr Yasushi Mieno may tip the balance against the US initiative in a group that looks almost split down the middle.

The meetings will also channel continued pressure from the US on Japan to make its promised $9bn contribution to the Gulf war costs.

Also on the agenda is a capital increase for the International Finance Corporation, the World Bank's private sector affiliate. In return for its support to the bank, the US wants to see more World Bank involvement in the private sector. It has said that 50 per cent of the lending of the World Bank group should be "directed towards" that sector by 1995.

The US envisages this leading eventually to direct lending to the private sector.

High German demand only bright spot in European car sales gloom

By Kevin Done, Motor Industry Correspondent

NEW CAR sales in western Europe (including eastern Germany) fell by 3.3 per cent in March, to an estimated 1.32m.

Demand is continuing to surge in Germany, where sales last month jumped by an estimated 35.5 per cent to about 424,000 (including eastern Germany), compared with 313,000 in West Germany a year ago.

New car sales in Germany in the first quarter were 44.2 per cent higher than a year ago, say industry estimates.

Elsewhere demand has plunged, however, and new car sales in the first quarter in western Europe excluding Germany were an ominous 14.6 per cent lower than a year ago at 2.54m.

New car registrations in March were lower in 14 of 17 national markets across western Europe, including, most significantly, four of the five leading volume markets: Italy, France, the UK and Spain.

While sales in Italy in March were 4.5 per cent lower than a year ago, demand in the UK plunged by 19.1 per cent, in France by 18.5 per cent and in Spain by 29.3 per cent.

In the first three months, sales fell in 15 of 17 markets across western Europe, with increases achieved only in Germany and Greece.

Overall western European new car sales in the first quarter were 2.8 per cent lower than a year earlier, at 3.62m, but Germany is the sole factor moderating the decline and accounted for 30 per cent of the total western European car market in the first quarter.

The diverging fortunes of Germany and the rest of western Europe is leading to a sharp contrast in the performances of the big six volume car-makers in Europe.

Volkswagen, General Motors (Opel/Vauxhall) and Ford – the three leading groups in the German market – have all recorded strong sales increases this year.

The Peugeot group of France, which includes Citroën, has been hardest hit. It has slipped from third to fifth place in the western European new car sales league, falling behind both General Motors and Ford, after suffering an estimated 14.1 per cent drop in sales in the first quarter. Its market share has dropped to 11.7 per cent from 13.2 per cent a year ago.

The Volkswagen group, which includes Audi and SEAT, and was the leader of the western European car market for the past six years, increased its sales volume by about 8.9 per cent to an estimated 595,000. It boosted its market share to a record 16.5 per cent, from 14.7 per cent a year ago.

The challenge from the Fiat group, which includes Lancia and Alfa Romeo, has faded. The Italian car-maker, which has been forced into short-time working for much of the past eight months at several of its domestic car plants, suffered a 13.3 per cent fall in new car sales in the first quarter, with its market share tumbling to 13.3 per cent from 15.4 per cent a year ago.

It is under heavy pressure in the domestic Italian market, where its share in the first quarter fell to 47.8 per cent from 55.5 per cent a year ago and 58.5 per cent in the first quarter of 1989.

Both GM and Ford succeeded in increasing their sales volumes, helped by their presence in the German market, and both have made important gains in European market share.

Both French car-makers lost ground sharply in the first quarter. Renault, which recently announced an 87 per cent drop in group net profits for 1990, remains under heavy pressure, with an estimated 8.7 per cent drop in car sales volume in the first quarter.

WEST EUROPEAN NEW CAR REGISTRATIONS*
January-March 1991

	Volume (Units)	Volume Change(%)	Share (%) Jan-Mar 91	Share (%) Jan-Mar 90
TOTAL MARKET*	3,617,000	−2.8	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi & SEAT)	595,000	+8.9	16.5	14.7
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	496,000	−13.3	13.3	15.4
General Motors (Opel/Vauxhall, US# & Saab)	455,000	+5.9	12.6	11.6
– Opel/Vauxhall	439,000	+6.9	12.2	11.0
– Saab**	13,000	−23.3	0.3	0.4
Ford (Europe, US# & Jaguar)	449,000	+5.6	12.4	11.4
– Ford Europe	443,000	+6.1	12.2	11.2
– Jaguar	4,000	−33.6	0.1	0.2
Peugeot (incl. Citroën)	422,245	−14.1	11.7	13.2
Renault††	357,000	−8.7	9.9	10.5
Mercedes-Benz	121,000	+0.1	3.3	3.2
Nissan	104,000	+6.6	2.8	2.6
Rover†	102,000	−8.4	2.8	3.0
BMW	97,000	−6.3	2.6	2.8
Toyota	88,000	+1.9	2.4	2.3
Mazda	72,000	+1.4	2.0	1.9
Volvo††	57,000	−20.1	1.6	1.9
Mitsubishi	46,000	−0.2	1.2	1.2
Honda†	39,000	−1.4	1.1	1.1
Total Japanese	401,000	+2.1	11.1	10.5
MARKETS:				
Germany*	1,078,000	+44.2	29.8	20.1
Italy	691,000	−3.1	19.1	19.2
France	515,000	−20.6	14.2	17.4
United Kingdom	457,000	−21.5	12.6	15.7
Spain	207,000	−22.8	5.7	7.2

*Includes eastern Germany in 1991.
#Cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source : Industry estimates

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PLO likely to link up with moderate Arabs

By **Tony Walker** in Cairo and **Lamis Andoni** in Amman

PALESTINIAN leaders, who began meeting in Tunis yesterday to review post-Gulf war developments, are expected to call for closer co-ordination with Arab states engaged in peace talks with the US.

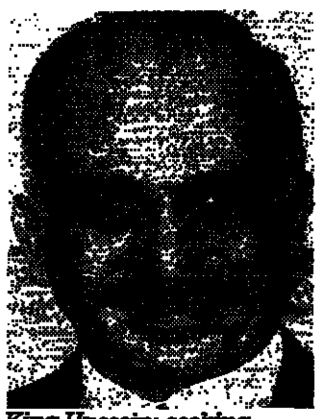
The Palestinians' Central Council or "mini-parliament" is also likely to lay down guidelines for Palestine Liberation Organisation participation in any proposed peace process.

PLO officials have expressed strong reservations about the latest US Middle East peace mission. They fear the US will seek to exclude the PLO from the process.

But the organisation, sidelined regionally and internationally since its support of Iraq in the Gulf war, is anxious to use any opportunity to re-establish working relations with Egypt and the Gulf states.

Mr Abdullah Hourani, a member of the PLO's Executive Committee or "cabinet", said yesterday that "co-ordination between Arab positions is important... in particular, total agreement between the PLO and Jordan on all stages in the peace process."

King Hussein of Jordan is unlikely to accept leading a joint Jordanian-Palestinian negotiating team to Arab-Israeli talks that will exclude members of the PLO.



King Hussein: seeking Palestinian approval

The King said on Saturday that Jordan would accept participation in a joint Jordanian-Palestinian delegation if the Palestinian people so wanted.

His failure to mention the PLO aroused fears among some Palestinians that he was ready to move without the organisation.

However, he is not expected to venture into any step without coordination – or even the backing of the PLO – which still enjoys the backing of Palestinians in the occupied territories and in Jordan where Jordanians of Palestinian descent constitute roughly half the population.

In 1988, Hussein ended an historic rivalry when he relinquished the responsibility of the Israeli occupied West Bank to the PLO. But once again the Iraqi defeat, and the subsequent emergence of a stronger Israel, is placing him under tremendous pressures to assume responsibility for the Palestinians.

His severing of ties with the West Bank, his 1989 launching of a democratisation process in Jordan and his refusal to join the US-led alliance against Iraq, have gained the monarch unprecedented respect and popularity among Palestinians.

The Central Council is likely to review the PLO's performance during the recent crisis and to discuss ways to revive its flagging fortunes.

Among options to be discussed are convening a session of the Palestine Nations Council, the Palestinian "parliament", to express confidence in the PLO leadership.

There has also been talk of seeking UN backing for elections in the occupied territories for delegates to the PNC.

Tunisia counts the cost of the Gulf war

Loss of tourism has dealt a serious blow to the ailing economy, writes **Francis Ghilès**

THE GULF war has dealt a sharp blow to the economy of Tunisia.

The loss of foreign income from tourism and decline in domestic employment come at a time when industrial growth had been resuming after three years of drought, locust plagues and severe austerity.

President Zine El Abidine Ben Ali has pushed through measures aimed at liberalising the management of Tunisia's economy, while maintaining austerity.

A budget deficit equivalent to 8 per cent of gross domestic product in 1986 was turned into a surplus of 4 per cent last year but the Ministry of Planning forecasts no increase in the country's GDP this year.

The government recognises that austerity is all the more necessary today and has gone ahead with plans to cut five days' pay from all salaried workers. The government expects exports of goods and services to suffer a shortfall of TD850m ($895m), a figure which rises to more than TD1bn if the loss of loans from Arab funds is included.

This year could turn out to be the first since independence when the number of job losses is greater than the number of new jobs. The Ministry of Planning estimates that 51,600 jobs will be lost and 48,000 created – this at a time when 55,000 young Tunisians are entering the labour market every year.

Construction: likely to be hit by the economic downturn

The social repercussions are grave. Ever more violent confrontations between the police and Islamic fundamentalist militants from the major opposition party, *En Nahda* (The Renaissance) has led to a climate in which the promises of greater freedom of expression which accompanied President Ben Ali's assumption of power have all but disappeared.

The fallout from the war is expected to cost the balance of payments TD600m. The Tunisian government was quick to react and, three months ago, seized the opportunity of a routine IMF review of the country's position to activate the enlarged facility it had arranged with the Fund in 1988, but never drawn down.

The IMF is expected to agree to Tunisia drawing SDR138m ($190m) – a sum equivalent to its quota with the Fund.

Preliminary government estimates give loss of export income and suggest three sectors will be badly affected:

- Tourism and transport where half of Tunis Air's fleet is grounded – TD470m. This figure is predicated on a 50 per cent decline in foreign visitors during the first six months of the year;
- Exports of goods – TD330m of which one third is accounted for by textiles;
- Transfer payments – TD50m, the bulk of which are remittances from Tunisians working abroad.

To these figures must be added the loss of TD200m worth of loans from Kuwaiti and Arab development funds which will lead to the delay of major projects.

A lower volume of imported capital goods and the decline in local spending will cut the import bill by TD350m, but this will still add TD600m to initial estimates of the balance of payments deficit.

The domestic economic consequences of the Gulf war will thus be severe, despite the fact that an exceptionally plentiful rainfall should deliver a very good crop, thus reducing the need to import cereals. This would be all the more welcome as US aid has been cut by three-quarters.

The US Congress appeared somehat disgruntled at Tunisia's refusal to join the coalition against Iraq. The benefits Morocco drew from sending troops to the Gulf stand in sharp contrast – Saudi Arabia gave King Hassan $700m last autumn.

Although most sectors of the economy have felt the repercussions of the Gulf war, tourism has been one of the immediate casualties. It accounts for one-fifth of foreign earnings and ensures the livelihood of 800,000 people.

To a net loss of 13,500 jobs must be added the pressure on hotel owners to shed labour if the number of foreign visitors does not pick up fast. In the transport sector, job losses will amount to 2,700.

The construction industry is also likely to be affected since many new hotels (Tunisia adds 5,000 beds every year) will not get the go-ahead.

The manufacturing sector, where only a third of the 15,000 new jobs planned for 1991 will be created, could be further hit by an economic slowdown among major client countries such as France.

The Tunisian government has been quick to draw up a list of capital expenditure cuts and increase the price of certain items such as petrol.

If tourism picks up faster than expected, the government will be spared the worse. If public frustration grows, however, the risks of social and political unrest will be only too clear.

Arab states ponder petrodollar lending

FINANCE officials from Saudi Arabia and five Gulf Arab states, keen to reward their Gulf war allies, began talks in Riyadh yesterday on how they should lend their petrodollars, Reuter reports from Nicosia.

Under-secretaries at the finance ministries of Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar and Oman are preparing for a meeting of Gulf Co-operation Council (GCC) finance ministers, the first since the war.

GCC officials have expressed anger at pro-Iraq sympathisers – Jordan, Yemen, Sudan and the Palestine Liberation Organisation – which previously received billions of dollars in aid from the six oil-rich countries.

A GCC summit in Doha last December agreed to set up a new fund, believed to be an initial $5bn to lend to poorer Arab states in economic difficulty.

Most of the aid was expected to be channeled to Egypt and Syria, which took part in US-led allied force.

The two countries agreed in Damascus last month to take part in a Gulf regional security system that would be financed by the GCC states.

"The meeting aims at discussing and evaluating the joint economic drive in implementing the [GCC] supreme council's resolution in Doha," Sheikh Mohammed Bin Khalifa al-Thani of Qatar said according to the official Saudi Press Agency (SPA). It gave no further details.

Tehran refuses to have Kurdish safe havens near border

IRAN APPEALED for international aid yesterday to keep its 1m Iraqi refugees alive but said it would not accept Kurdish "safe havens" near its borders, Reuter reports from Tehran.

"There is no doubt that the whole human community is responsible for the maintenance of the Iraqi people," Mr Ali Akbar Velayati, foreign minister, told a news conference.

Tehran has complained that it is not getting the scale of international relief given to Turkey, a US ally in the Gulf war against Iraq. Iran already has about 2m Afghan refugees and millions of its own people were made homeless by the 1980-88 war with Iraq and a big earthquake last year.

Mr Velayati reacted cautiously to a decision by the US and its western allies to set up "safe havens" for Kurdish refugees in northern Iraq close to the Turkish border. Tehran would not agree to similar camps on its border with Iraq.

Iran had no objection otherwise to the allied camps as long as the United Nations was satisfied that they did not violate Iraqi sovereignty, Mr Velayati said. He said international aid to Iran had amounted to 108 plane-loads, which was "by no means proportional to the refugees needs".

"We expect those who have played the main role in creating this crisis to play a greater part in helping the refugees, which seems to be the minimum they can do," Mr Velayati said.

This appeared to be a reference to a call during the Gulf war by President George Bush, who urged Iraqis to rise up against President Saddam Hussein.

De Klerk aims to revive economic ties with EC

By Michael Holman, Africa Editor

THE REVIVAL of economic ties with the European Community as a key factor in South Africa's efforts to ensure that political negotiations are accompanied by economic recovery will be stressed by President F. W. de Klerk during his visit to London, which officially begins today.

Pretoria officials are confident that the sanctions battle is all but over. Last week the EC lifted embargoes on imports of iron and steel and gold coins, and the US is expected to lift trade and investment bans later this year.

But officials, increasingly concerned about the political consequences of a continuing recession marked by rising unemployment, admit that prospects for new investment are poor unless the violence that has cost over 4,000 lives in the past four years is stopped, and formal talks on a new constitution get under way.

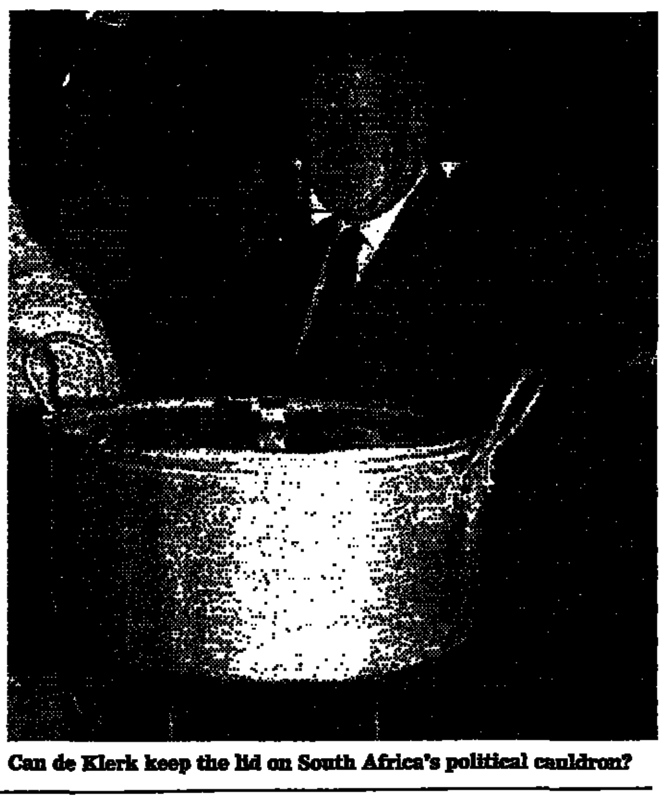
Mr de Klerk, due to have a working dinner tonight with Prime Minister John Major as well as holding talks for the first time with the Labour party leader, Mr Neil Kinnock, is expected to defend Pretoria's efforts to end township violence and to place the burden of responsibility on the African National Congress (ANC).

This charge will be countered by accusations of government complicity when Mr Nelson Mandela, the ANC deputy president, arrives in London later this week. Earlier this month the ANC threatened to break off contacts with Pretoria unless the government met the terms of an ANC ultimatum on violence by May 9.

Mr de Klerk, who has gone some way towards meeting the ultimatum, is also expected to argue that the recession exacerbates political tensions.

Before leaving South Africa for London, he said: "Sanctions are crumbling, and they will continue to crumble. We have reached a stage where one could even say that sanctions have become a contributing factor to violence."

In meetings with bankers and businessmen during his visit, Mr de Klerk is expected to urge them to take advantage of trade and investment opportunities, portraying South Africa as a locomotive for growth in the region.



Can de Klerk keep the lid on South Africa's political cauldron?

Countries unite to combat cholera

HEALTH MINISTERS from eight Latin American countries and Spain are meeting in an effort to unite against the cholera epidemic that has killed more than 1,100 people, agencies report.

The three-day conference began on Saturday in the Bolivian town of Sucre. Its main goal is to create a health and sanitation programme to combat the disease that has struck thousands in Peru, Ecuador, Colombia, Brazil and Chile.

More than 158,000 people have been affected in Peru alone. The first cases were reported on the north coast in late January. From there it has spread to four of the five neighbouring countries.

Bolivia, the fifth country, has not had any cases so far, say officials.

Health ministers from Argentina, Bolivia, Brazil, Colombia, Cuba, Ecuador, Peru, Venezuela and Spain are attending the meeting, along with delegates from the International Red Cross and the Panamerican Health Organisation, an offshoot of the World Health Organisation.

The meeting ends today with the signing of documents detailing the health and sanitation measures approved by the ministers.

The Panamerican Health Organisation president, Mr Carlyle Guerra, predicted during the conference that if cholera continued to spread at its present rate it could strike 6m people and kill 42,000 in Latin America.

Mulroney makes big changes in Canadian cabinet

By Bernard Simon in Toronto

CANADA'S LONG-SERVING finance and external affairs ministers have both been assigned new duties in the most extensive cabinet shuffle since Prime Minister Brian Mulroney's Progressive Conservative government took office seven years ago. Full details of the changes were expected late yesterday.

Mr Michael Wilson, who has held the Finance Ministry post since 1984, is taking over an expanded international trade and industry portfolio, where he will be in charge of Canada's negotiations with the US and Mexico on a North American free trade agreement.

Mr Joe Clark is moving from External Affairs to the key portfolio of federal-provincial relations. Mr Clark, who served briefly as prime minister in 1979, will have the challenging job of finding a constitutional formula to keep Quebec in Canada without alienating the other nine provinces. He has the dual advantage of coming from Alberta and, unlike most westerners, being bilingual.

One of the contenders for the finance job may be Mr Gilles Loiselle, the Treasury Board president who has been responsible for legislation deregulating the financial services industry. Ms Barbara McDougall, immigration minister, is also considered a candidate.

Mr John Crosbie, the trade minister, who oversaw the free-trade deal with the US and is now preparing for talks on extending that to Mexico, is *reported* to be considering leaving politics.

New ministers are expected to be named to the environment and native affairs portfolios, holders of which have been criticised as ineffective.

Yesterday's cabinet shuffle is an important part of Mr Mulroney's preparations both for the forthcoming constitutional talks with Quebec, and for the next general election, which is likely to be held late next year or in early 1993.

The Conservatives have a popularity rating of less than 20 per cent but are given a reasonable chance of bouncing back if the constitutional talks go well, the economy revives, and if they can outflank two regional parties in Quebec and the west which have recently siphoned off a substantial part of their support.

Mr Clark and Mr Wilson are both considered to have performed well in their previous portfolios, but electoral and other domestic political considerations appear to have dictated their moves. Mr Wilson, for instance, has become closely identified with the goods and services tax implemented earlier this year, and with other unpopular measures to hold down inflation.

Mr Mulroney also needs a new face at the constitutional talks to help defuse bitterness caused by the collapse last year of the Meech Lake accord, which aimed to bring Quebec into the 1982 constitution.

Red faces in Mexico over phone taps

By Damian Fraser in Mexico City

MEXICO'S NATIONAL Human Rights Commission (CNDH) has deeply embarrassed its paymasters, the federal government, by complaining officially that its telephones are tapped and that the offices of its president, Mr Jorge Capizo, were being bugged.

The Commission found two microphones and a transmitter hidden in its offices early last month, and after failing to find out who was responsible for putting them there, sent the offending technology to the Attorney General's office last week. *In a brief statement the latter said the listening devices were extremely unsophisticated, thus suggesting that they were not planted by the government.*

Although telephone tapping is illegal in Mexico, it is widely believed to be one of the favourite activities of Mexico's security-conscious Interior Ministry, known as Gobernacion. Last September, Mexico's two leading opposition parties, and the Mexico City Assembly Commission demanded an official inquiry into allegations that opposition and business *leaders, journalists, and even government members were having their phones tapped.*

The CNDH was set up by President Carlos Salinas last June amid growing concern about Mexico's deteriorating human rights record. This latest incident will do nothing to abate that concern. At the time *CNDH was inaugurated,* Americas Watch wrote that torture was "endemic" in Mexico "practised by most, if not all, branches of the federal and state police, as well as by the armed forces". A few months later Amnesty International *reported that "Mexico today is a human rights emergency."*

Even though CNDH nominally answers to Gobernacion, it has been surprisingly effective in discovering and reporting human rights violations, which probably explains why its phones were bugged. Its recommendations have led to the release to a number of quasi-political prisoners.

The CNDH has reserved some of its harshest criticisms for the Federal Attorney General's office, which, ironically enough, is responsible for finding out who put the bugs in *the commission's offices.*

Venezuelans pick telecom contenders

VENEZUELA has picked eight international companies to tender for the privatisation of the state-owned telephone company, CANTV, writes Joe Mann. They are: Ameritech, Bell Atlantic, Bell Canada, France Telecom, GTE, Nippon Telephone & Telegraph, Southwestern Bell and US West.

The government wants an international company to take over CANTV operations and install around 300,000 new telephone lines a year. This would require annual investments *estimated at $800m.*

Single Community market in gambling is a long-odds bet

David Buchan reports from Brussels that the prospect of placing a cross-border wager post-1992 is not much of a runner

PUNTERS BETTING on whether the European Community will have a truly single market by the end of 1992 would be well advised first to check whether they can make a cross-border wager. They will not find it easy.

The 1985 White Paper on the single EC market said nothing about harmonising the myriad *national rules fragmenting the* European gambling market. Such regulation has traditionally been been devised either for social reasons or to raise national tax revenue.

But it is becoming harder to ignore the economic impact of Europe's "luck industry", encompassing race betting, football pools, gaming and lotteries, which chalks up an annual turnover of some Ecu45bn (£31bn). Brussels is also receiving increasing complaints from gambling companies seeking to expand beyond their national boundaries and from governments as eager to protect tax revenue as their citizens' morals.

So, the European Commission is priming itself with a major study on gambling being prepared by management consultants Coopers & Lybrand, and trying to see whether a dash of Euro-regulation is warranted.

Most of the cross-border disputes concern the two biggest money spinners:

● *National lotteries. These* turn over some Ecu17bn a year, of which about Ecu3bn goes in tax to the 11 EC governments which permit national lotteries. Curiously for a country which tolerates most other forms of betting, the UK limits the pay-out on lotteries, effectively restricting them to local charities.

Football pools operators such as Littlewoods have quashed recent talk of a national UK lottery by doing a deal with the Treasury. The latter is cutting the pools betting levy, from 40 per cent to 37.5 per cent, provided all the saving is put into a trust, which will get £40m a year from the pools operators and will fund sports and the arts.

Britain will therefore continue to attract attention from foreign lottery operators, particularly the Germans whose big money prizes have tremendous drawing power, even though it is illegal to solicit Britons' participation in foreign lotteries. Last year UK *Customs impounded 3m German* lottery tickets. That cost the German agents some £2m, and temporarily stopped the trade. But such policing will not seal the British market off for ever.

Many Danes, Belgians and Dutch already nip into Germany to buy lottery tickets. These three countries' governments worry about losing tax revenue to Germany. One option is to follow Luxembourg's example and do a revenue-sharing deal with the German lottery in return for letting the latter operate openly in the grand duchy.

● Horse race betting. Regulation varies widely, coming under agriculture ministries in the Netherlands and Italy, the Pari Mutuel Urbain (PMU) state monopoly in France, and regional governments in Germany. Only Britain and Ireland allow corporate bookmakers on a big scale.

The ambition of two of these organisations – Ladbrokes and the PMU – to spread out *of their home bases is rocking* the status quo. Ladbrokes has taken the initiative by filing a barrage of complaints against PMU with the European Commission.

Brussels is now investigating whether the PMU has received illegal state aid from the French government by means of tax write-offs; whether it is abusing its dominant position by giving French punters poor service; and whether it is discriminating against Ladbrokes by refusing to extend to the British bookmaker in Germany the broadcasting of French races which the PMU already provides to German bookies.

Ladbrokes is also fighting to establish itself in Germany, where a loosely-worded federal law against corporations entering bookmaking is being interpreted differently in the Länder (states). Rhineland-Palatinate has allowed Ladbrokes in, but North Rhine-Westphalia and Hesse have not. However, Brussels discounts any special discrimination against Lad*brokes by the latter two* Länder because they bar all corporations from bookmaking.

PMU has countered by contesting Ladbrokes' allegations and by making a partial entry into Belgium, a market dominated by Tiercé Ladbrokes' 900 betting shops. Since last month, PMU punters in northern France can bet on Belgian races. The PMU appears to be hoping for a change in Belgian law which would allow it to take Belgian bets on French races, as Ladbrokes can.

Ladbrokes has not yet carried the fight into France, the second biggest EC horse race betting market after Britain. The PMU could easily fend off such a challenge if it got the French government to impose on British bookies the financial conditions under which it operates, according to Mr Frank McFadden, a former Ladbrokes employee who is writing the Coopers & Lybrand report for the Commission,

The PMU pays 73 per cent of stake money to punters, 14 per cent in tax to the government and returns 13 per cent (less its own costs) to its owners, the French race courses. British bookmakers give punters a better deal, paying only 8 per cent tax on stake money and 1 per cent to the Levy Board for the upkeep of race courses. Mr McFadden believes that as profit-making organisations, British bookmakers could not *live with the rake-off* demanded from the PMU.

Governments are generally less allergic to organisations such as Ladbrokes or PMUs, which establish themselves in the countries where they take bets, than to companies which solicit bets across borders. One of the largest is the London-based SSP. Mr Peter Andersson, SSP's managing director, says that while countries like Britain and France do not allow foreign companies to advertise for bets, it is almost impossible for them to prevent direct mail or telephone sales.

Liberalisation of telecommunications and financial services in Europe will further erode obstacles to cross-border gambling. "What's to stop me setting up McFadden Sky Television and, on the pretence of running an English language educational channel, taking credit card bets on a lottery?" asks Mr McFadden rhetorically. The 1989 EC directive on trans-frontier broadcasting was silent on betting.

*What ultimately distin*guishes gambling from other financial services such as banking or insurance is that many people think it ought not to expand. Yet cross-border competition will create growth in gambling, which responds in a highly elastic way to new products. UK betting turnover has grown 20 per cent in the four years since satellite broadcasting of races began, while introduction of a lottery in Ireland barely dented horse betting there.

So the Commission may decide, in the end, that gambling is one sector of the EC market that should be kept deliberately fragmented.

MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short and long term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN					GERMANY				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	7.0	7.9	10.23	12.43	n.a.	2.9	7.7	6.26	6.80	n.a.	3.3	3.8	5.95	7.96	n.a.
1985	9.2	9.1	8.01	10.62	n.a.	4.6	8.2	6.62	6.34	n.a.	4.4	5.1	5.40	7.09	n.a.
1986	12.3	8.3	6.49	7.68	3.43	7.4	8.7	5.12	4.94	0.84	9.9	8.3	4.57	6.19	1.79
1987	11.6	6.5	6.82	8.38	3.12	9.1	10.3	4.15	4.21	0.55	9.0	7.3	3.96	6.33	2.21
1988	4.3	5.4	7.65	8.84	3.61	7.8	11.0	4.43	4.27	0.54	9.8	6.4	4.26	6.58	2.61
1989	0.9	3.8	8.99	8.49	3.43	4.5	10.0	5.31	5.11	0.48	6.3	5.7	7.08	7.02	2.22
1990	3.7	5.2	8.09	8.55	3.60	3.2	11.5	7.69	7.27	0.65	4.5	4.5	8.45	8.63	2.11
1st qtr.1990	1.9	5.7	8.30	8.42	3.48	1.8	11.9	7.34	6.78	0.51	3.0	4.4	8.41	8.32	1.87
2nd qtr.1990	4.0	6.2	8.23	8.73	3.43	2.7	12.8	7.35	7.20	0.59	3.8	4.0	8.24	8.60	1.92
3rd qtr.1990	4.6	5.2	7.94	8.74	3.62	3.3	12.3	7.87	7.96	0.69	4.8	4.2	8.32	8.68	2.14
4th qtr.1990	4.2	3.9	7.88	8.31	3.86	5.1	9.3	8.19	7.16	0.80	6.2	5.4	8.82	8.92	2.51
March 1990	2.5	6.0	8.67	8.58	3.49	5.4	12.4	7.87	6.81	0.56	2.1	4.2	8.79	8.27	1.84
April	3.4	6.2	8.30	8.77	3.52	1.4	13.2	7.44	6.88	0.62	4.3	4.0	8.21	8.18	1.85
May	4.0	6.3	8.24	8.76	3.44	-2.0	12.7	7.31	6.58	0.57	3.9	3.8	8.27	8.19	1.94
June	4.8	6.0	8.14	8.47	3.33	8.8	12.4	7.29	6.47	0.58	3.1	4.3	8.25	8.30	1.97
July	4.0	5.3	7.98	8.47	3.35	3.9	11.9	7.53	6.83	0.60	4.2	3.9	8.21	8.09	1.89
August	4.7	5.2	7.87	8.74	3.68	3.8	11.9	7.83	7.58	0.70	5.2	3.9	8.38	8.52	2.16
September	5.1	6.0	7.96	8.89	3.86	2.4	13.2	8.25	8.04	0.77	5.1	4.7	8.38	8.66	2.41
October	4.2	4.5	7.98	8.72	3.96	3.9	10.9	8.18	7.66	0.80	5.7	5.3	8.53	8.72	2.60
November	4.4	3.8	7.91	8.39	3.88	7.1	9.6	8.22	7.35	0.82	6.1	5.5	8.78	8.88	2.54
December	4.0	3.3	7.76	8.05	3.74	4.4	7.5	8.17	6.79	0.80	6.9	6.3	9.15	8.69	2.50
January 1991	3.9	3.1	7.09	8.07	3.79	1.8	6.0	8.07	6.59	0.80	-0.3	0.2	9.27	8.86	2.67
February	4.4	3.1	6.50	7.84	3.37			7.89	6.38	0.74	-0.4	0.6	8.98	8.35	2.45

	FRANCE					ITALY					UNITED KINGDOM				
	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	9.7	10.9	11.71	13.33	n.a.	12.5	12.4	15.87	15.60	n.a.	5.5	12.9	9.95	11.33	n.a.
1985	6.2	7.4	9.98	11.74	n.a.	13.7	14.0	14.03	13.71	n.a.	4.7	13.2	12.21	11.03	n.a.
1986	6.9	6.7	7.73	8.74	2.65	10.4	9.0	12.95	11.47	1.41	4.0	15.3	10.93	9.97	4.35
1987	4.1	9.8	8.20	9.59	2.75	10.5	11.7	11.06	10.58	1.94	4.7	14.6	9.69	9.52	3.60
1988	3.8	8.4	7.88	9.02	3.69	7.5	8.1	10.89	10.54	2.71	6.7	17.0	10.32	9.69	4.48
1989	8.1	9.4	9.33	8.79	2.88	8.1	10.1	12.16	11.61	2.46	5.9	17.8	13.88	10.30	4.36
1990	3.3	8.5	10.30	9.87	3.19	8.7	9.4	11.74	11.87	2.84	5.3	16.4	14.82	11.65	5.07
1st qtr.1990	7.1	9.1	11.12	9.87	2.79	10.4	10.2	12.70	12.37	2.53	6.0	18.3	15.43	11.58	4.60
2nd qtr.1990	7.3	8.9	9.90	9.63	2.81	8.8	9.0	11.68	11.83	2.45	7.0	17.8	15.10	12.29	4.91
3rd qtr.1990	3.8	7.8	10.13	9.94	3.36	7.9	8.7	10.99	11.85	2.81	5.0	16.1	14.94	11.78	5.21
4th qtr.1990	3.3	8.5	10.03	10.07	3.77	7.9	9.5	11.59	11.74	3.55	3.3	13.6	13.80	10.95	5.56
1990 March	7.1	9.1	11.12	9.94	2.80	9.6	9.6	12.53	12.43	2.58	5.9	18.0	16.01	12.17	4.82
April	4.7	8.3	9.95	9.58	2.74	9.5	9.3	11.89	12.20	2.49	7.6	18.1	15.21	12.43	4.99
May	5.7	8.1	9.75	9.53	2.80	8.8	8.9	11.88	11.97	2.48	7.0	17.8	15.14	12.17	4.98
June	7.3	8.9	10.01	9.68	2.90	8.0	8.7	11.26	11.32	2.38	6.3	17.4	14.98	11.59	4.75
July	3.2	8.0	9.98	9.56	2.97	7.7	8.4	11.16	11.26	2.46	5.6	17.1	14.94	11.67	4.81
August	2.9	7.8	10.12	10.08	3.43	7.3	8.2	11.31	11.79	2.88	4.8	16.2	14.97	11.96	5.26
September	3.8	7.8	10.28	10.44	3.73	8.6	9.4	10.49	11.80	3.14	4.7	15.0	14.91	11.91	5.61
October	0.8	7.4	9.99	10.36	3.75	8.8	9.8	10.74	11.58	3.36	4.0	14.3	14.00	11.56	5.61
November	0.6	7.5	9.94	10.16	3.78	8.1	9.5	11.69	11.69	3.67	3.1	14.4	13.82	11.25	5.61
December	3.3	8.5	10.17	9.89	3.79	6.8	9.3	12.34	11.98	3.65	2.7	12.2	13.77	10.77	5.44
1991 January	-0.1	7.1	10.21	9.74	3.93			12.24	12.04	3.96	3.5	11.2	13.95	10.53	5.60
February	1.4	7.2	9.70	9.11	3.62			12.25	11.90	3.64	2.6	10.9	13.24	10.11	5.19

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Italy. German data up to the end of 1990 applies only to western Germany. 1991 German figures are month on month changes in the Pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Short term interest rates: period averages of:- USA-90 day commercial paper. Japan-3 month certificates of deposit, Germany-3 month money, France-3 month money, Italy-3 month Euro-Lira, UK-3 month LIBOR. Source: Goldman Sachs. Long term interest rates: period average yields on 10 year benchmark government bonds. Source: ATLAS/TFN. Equity market yield: period averages of the dividend yield on the relevant FT-A world index.

Disinflation and convergence

1990 AND early 1991 have seen monetary contraction in most of the world's main economies. Monetarists would argue that this also explains why it has been a period of recession in the US and UK, and of slowdown in most of the other big countries.

Particularly significant has been the decline in the year-on-year rates of growth of US M2, the country's most closely watched index of broad money. The year-on-year rates of growth of broad money also fell sharply in the UK, although they have remained very high by any other country's standards.

Under the ruthless guidance of Mr Yasushi Mieno, governor of the Bank of Japan, the year-on-year rate of growth of Japan's M2 plus certificates of deposit (CDs) has halved, accompanied by the stock market crash, whose effect appears in the rise in the yield on equities. France, too, has seen a slow-down in the growth of broad money since early 1990 and a more rapid slowing still in the growth of narrow money. For its part, Italy has avoided a decline in the growth rate of broad money, although the year-on-year growth rates of narrow money have fallen.

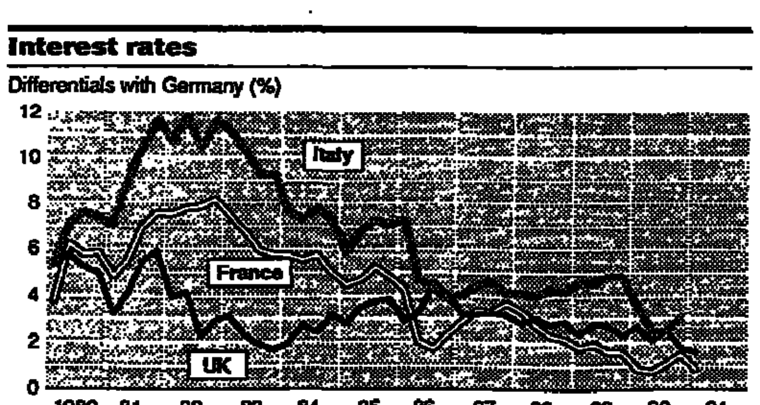
The main exception to the general trends is Germany, not only because of the direct effects of economic and monetary union last July, when D-Mark monetary stocks jumped by about 15 per cent: driven along by unification, even the growth rates of the monetary stocks in west Germany did not fall in 1990, as in other big countries, although they did not accelerate significantly either.

Whether the monetary expansion that followed unification will prove inflationary is uncertain, depending as it does on economic behaviour in east Germany. But unification has already had an important effect on German monetary conditions and on convergence within the European Community, via the interest rate.

As the chart shows, long-term rates of interest have converged among the four large economies in the EC. This matters because the German government has stated that interest rate convergence is one of the conditions for movement to economic and monetary union in the EC, arguing that it would also indicate convergence of long-term inflationary expectations.

Interest rates

Differentials with Germany (%)



Source: Datastream

Yet the marked convergence that can be seen in the chart is a result of the virtue of the other three only to a modest degree, at least over the past five years. It is also a reflection of doubts about Germany, where the long-term nominal rate of interest has risen by 2 percentage points above its level in 1988. Whether this increase reflects higher inflationary expectations or higher real interest rates within an imperfectly integrated global capital market, it has done far more for interest rate convergence than lower rates in the other countries.

All this emerges from the third *table in our new series of indicators* for the six largest industrial countries, which follows the National Accounts (April 8 1991) and Balance of Payments (April 15 1991). The table presents the most broadly watched monetary aggregates and interest rate series in each of these six countries.

The narrow measures of money supply (M0 and M1) include highly liquid, generally non-interest bearing assets, while the broader measures (M2, M3 and M4) include assets that are likely to be used as a means of saving as well.

In the US the Federal Reserve has argued that the long-run growth of M2 should approximately equal the trend growth in output, if price stability is to be achieved. M2 has remained within its target range of 3-7 per cent in both 1989 and 1990 while the provisional target for 1991 has been reduced to 2½-6½ per cent. Meanwhile, the Bank of Japan has announced a projection of 8 per cent growth for M2 plus CDs in the year to the first quarter of 1991, a forecast that seems eminently reasonable.

Abstracting from the one-off impact of German monetary union, the Bundesbank's 1991 target for the growth of all-German M3 is 4-6 per cent. According to the Bundesbank's own calculations (not reported in the table) growth of all-German M3 between the fourth quarter of 1990 and February 1991, on an annualised basis, was 3.5 per cent. This is below the official target range, although it is expected to rise once more. Meanwhile, growth of all-German M1 between November 1990 and February 1991 was 6.1 per cent. For 1991 the table shows month-on-month growth rates for all-German money, starting with January 1991 over December 1990.

For EC member countries other than Germany the principal monetary indicator is the exchange rate against the D-Mark within the exchange rate mechanism of the European monetary system. In the case of the UK, for example, the Financial Statement and Budget Report released at the time of the March budget, states that "interest rate decisions must now be set consistently with keeping sterling within its announced bands." But some countries have supplementary monetary targets.

Like the Bundesbank, the Banque de France, has chosen M3 as its target indicator, its range being 5-7 per cent, marginally less expansive than the growth of 8.5 per cent between 1989 and 1990.

In the UK, by contrast, the extraordinarily rapid growth of broad money led the authorities to abandon it in the mid-1980s. The target is M0, instead, which is almost entirely cash in circulation. The current aim, growth of 0-4 per cent in the financial year starting April 1991, is fully consistent with recent performance.

Martin Wolf

Dublin hint of shift on claim to Ulster

By Ralph Atkins and Our Belfast Correspondent

MR GERRY COLLINS, foreign minister of the Irish Republic, has hinted that his country's constitutional claim on Northern Ireland could be up for negotiation when talks on the province's future start on April 30.

British and Irish ministers will meet this week for the last conference meeting under the 1985 Anglo-Irish Agreement before the April 30 talks, arranged by Mr Peter Brooke, Northern Ireland secretary.

Mr Collins said on BBC Radio in Belfast yesterday that the talks could well include Unionist leaders' deep-seated concern about Articles two and three of the republic's constitution, which lay claim to the north. The talks will cover a successor to the 1985 agreement and devolution in the province.

"There is no restriction on anybody to raise any matter they want," Mr Collins said, adding that he expected a "vibrant and open" dialogue.

His comments come amid hopeful signs of mutual goodwill among all parties involved in the talks, but optimism is tempered severely by an appreciation of the sectarian differences in Northern Ireland.

Mr Collins said that if talks succeeded, "the reason for the terrorists' existence will no longer be there". Mr Brooke told businessmen in the US last week that he thought success was a "possibility" rather than a probability.

Northern Ireland's political parties have been busy preparing – mostly in secret – position papers for the talks which will see Unionist and nationalist leaders meeting for the first time in 15 years.

Each side is expected to nominate shortly a three-man negotiating team plus seven in support.

Friday's meeting of the Anglo-Irish Conference has deliberately been kept short although the agenda includes recent allegations over leaks to IRA terrorists by the Irish police, the economy, tourism and transport issues, as well as the political talks.

Conference meetings under the 1985 pact have been abhorred by Unionists because of the influence they are seen to give to the republic's government in the affairs of the province. The round-table discussions will start with bilateral talks between Mr Brooke and all the parties, followed by plenary sessions in Belfast on devolution.

Friday's meeting is expected to consider the location of the subsequent strands of the talks which include alternatives to the 1985 agreement.

The Northern Ireland Office is offering administrative back-up to the political parties involved – the nationalist Social Democratic and Labour party, the Alliance party, the Democratic Unionist party and the Ulster Unionist party.

London still in recession's grip, says chamber

By Michael Cassell, Business Correspondent

ECONOMIC activity in London continues to suffer from the recession, according to a survey published today by the London Chamber of Commerce.

The survey suggests that companies are still shelving investment plans and shedding jobs at an accelerating rate, with output in manufacturing and service sectors continuing to fall.

The gap in performance between the two sectors has narrowed, according to the chamber. Tough trading conditions have left once-buoyant service companies as vulnerable as those in manufacturing.

The survey covers the first three months of 1991 and involves 268 businesses employing 250,000 people. It shows the proportion of companies working at full capacity has halved in the past year, with fewer than 20 per cent saying they were operating at full strength.

Exports by service-sector companies continued to decline in the first quarter. Nearly half of respondents reported reduced overseas business. The same proportion said they were cutting employment levels, and the chamber says it expects redundancies to continue, although at a reduced rate as the economic downturn levels off.

The squeeze on profits means that businesses are still making sharp cuts in investment plans. Some 44 per cent of those involved in the survey said revised plans meant they would not invest in new plant and machinery over the next year. Only 13 per cent said they intended to raise investment during the same period.

The chamber says that, although it does not expect any further deterioration in short-term domestic conditions, business confidence in the longer term remains subdued.

Further cuts in interest rates are needed, it stresses, to boost demand and help alleviate cash-flow problems.

CBI/FT DISTRIBUTIVE TRADES SURVEY

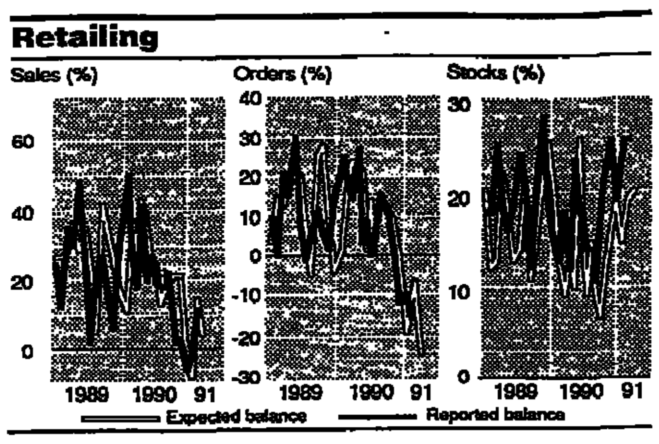
High-street sales above 1990 levels for first time

By Alan Pike

HIGH-STREET sales in March rose above 1990 levels for the first time this year but volumes remain poor, according to the latest CBI/FT distributive trades survey.

A balance of +11 per cent of retailers reported that year-on-year sales rose in March – the first such increase since December – with sales of clothing, durable household goods, textiles, furniture and carpets contributing to the improvement. Sales are expected to continue growing during April, although at a slower rate than last month.

Taking the distributive trades as a whole, however, companies reported another fall in sales volume during March compared with a year earlier. The proportion reporting a decline – a balance of −25 per cent – is less than February's −32 per cent, but compares with +9 per cent in March 1990. For the 11th consecutive month distributors report that they placed lower volumes of orders with suppliers than in the same month of the previous year. The March balance of −38 per cent is unchanged from February, and a sharp decline in new orders with suppliers is expected to continue this month.



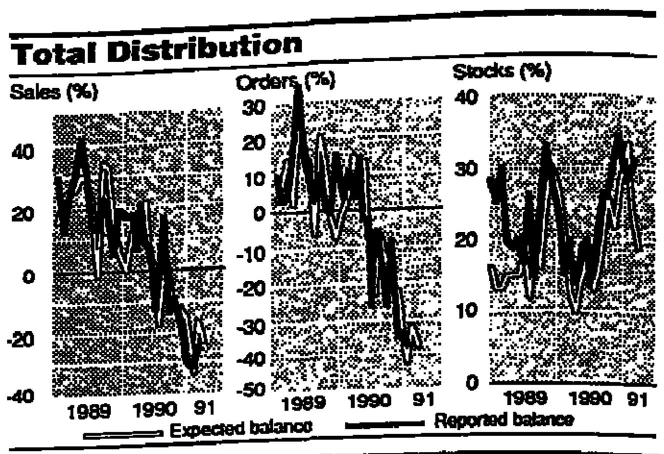
Mr Nigel Whittaker, chairman of the CBI distributive trades panel, interpreted the survey in cautious terms. He said that the improved sales may be due to this year's early Easter and a rush by customers to buy before VAT rates increased.

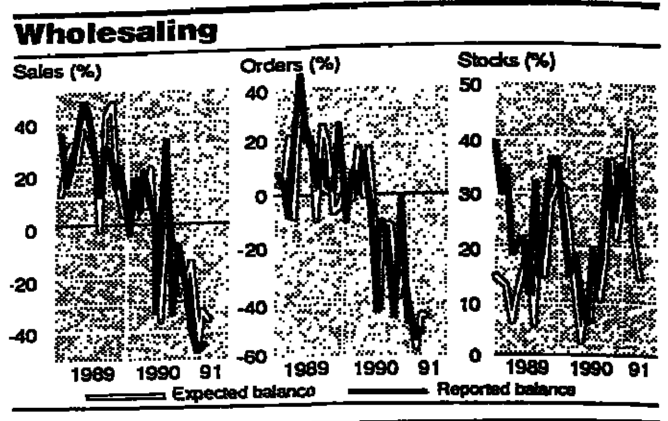
In spite of last month's improvements, retailers covered by the survey continued to regard sales as poor for the time of year.

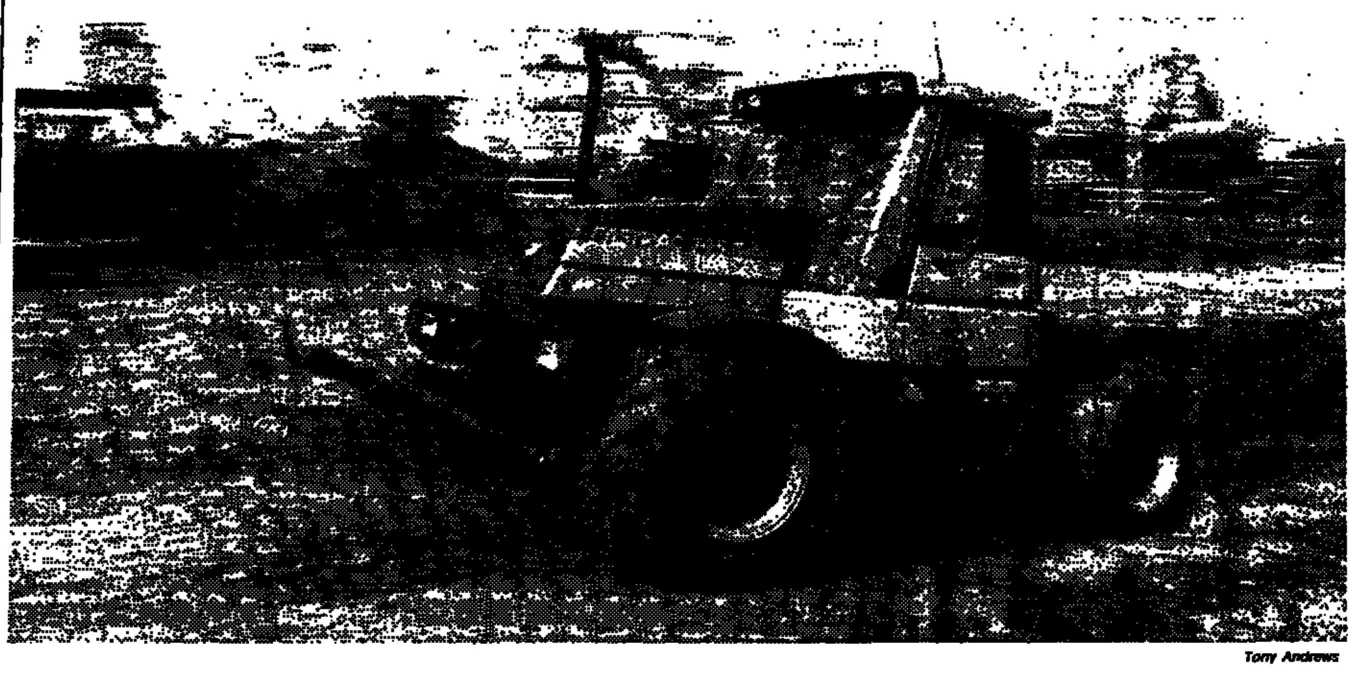
Wholesalers reported a drop in volumes of sales compared with the same period last year for the sixth successive month. The balance reporting a drop in March was −44 per cent – a little better than February's −48 per cent, but a contrast with March 1990, when the figure was +14 per cent.

Continuing weak demand led to wholesalers' stocks building up further during March. A balance of +31 per cent of wholesalers believed that stocks were too high in relation to expected sales, against +25 per cent in February and +19 per cent a year ago.

CBI/FT Survey of the Distributive Trades £14 (CBI members) £23 (non-members). Annual subscription £160 (CBI members) £265 (non-members).







Tony Andrews

"COLD-SELLING" took on a new meaning in a windswept field near Milton Keynes as the construction equipment industry attempted the unenviable task of digging its way out of the recession.

About 200 exhibitors at SED (Site Equipment Demonstration) '91, one of the UK's largest shows for construction equipment, spent three days last week watching their products make large holes in a small corner of rural Buckinghamshire while scouring the landscape for the intoxicating sight of a genuine buyer.

Sales in the UK construction equipment market fell about 35 per cent last year because of the recession, and SED, organised by Contract Journal, was a chance for the industry to find out if recent cuts in interest rates had prompted a recovery.

There are other shows where the back-hoe-loaders, wheeled excavators and countless other types of equipment stand in pristine showroom conditions, but the attraction of SED for contractors and plant hirers is the chance to assess the machines in action.

As the excavators, driven by men in shirts and ties, dug ever deeper, watched by men in wellies, the men in blazers on the stands adjusted their metaphors to suit the occasion: "It looks like we've bottomed out", or "we've turned the corner", or even "we're still in the slough of despond".

For JCB, the largest British-owned construction equipment group, January was "the pits", said Mr Howard McCallum, distribution manager. However, the company was now picking up "pockets of business which simply could not wait any longer" and was receiving a reasonable level of inquiries at the show, which for many was the first chance to see its new Fastrac high-mobility vehicle (above).

No one could accuse the industry of turning up its toes in the current downturn. SED, in its first year on a new site, was the biggest-ever, with 70 new exhibiting companies and 38 new products.

Andrew Baxter

Top law firms maintain growth

By Robert Rice, Legal Correspondent

THE UK's top law firms continued to grow in size over the past 12 months in spite of the recession in the property market and the sharp downturn in mergers and acquisitions work.

Clifford Chance, the largest UK law firm, increased its number of assistant solicitors by 92, a 17 per cent rise on the April 1990 figure.

Three other top 10 City law firms, Linklaters & Paines, Lovell White Durrant and Simmons & Simmons, all increased their number of assistants by 11 per cent, according to The Lawyer magazine's annual review of the top 100 solicitors' firms in England and Wales.

The continued growth in the size of law firms is partly a reflection of commitments made to trainee solicitors several years ago. The effect of recession on law firms is seen more clearly in the 10 per cent fall in demand for graduates by the top firms this September.

Nevertheless, the overall demand for graduates remains strong. The top 100 law firms are looking for just under 2,000 graduate trainees between them. Non-law graduates are in increasing demand. At City solicitors Slaughter and May, 50 per cent of last year's trainees were non-law graduates.

Medium-sized law firms also show a growth in numbers. Richards Butler, in spite of making some property lawyers redundant last autumn, reported a year-on-year increase of 25 per cent in assistant solicitors. Leading provincial firms appear to have been more affected by the recession, with seven of the top 10 regional firms showing a fall in the number of assistants over the past 12 months.

The highest starting salary being offered by a law firm to its graduate trainees this September is £18,500, the same as last year's highest. The average starting salary offered to trainee solicitors by the top five City law firms has risen from £16,180 to £16,844.

Electrical shops 'ready for upturn'

By John Thornhill

THE recession has forced electrical retailing companies to refine their strategies and restructure their operations, allowing them to benefit from any uplift in demand, according to a report by Verdict, the retail consultants.

The report says the electrical retail trade was one of the first sectors to be affected by recession in 1987 and will be one of the first to emerge from it. But the report sees little increase in demand until at least the end of the year.

Dixons, the market leader, has successfully refocused its operations, according to the report, although this process was accelerated by the threat of takeover from the rival Kingfisher group. Dixons has reduced its dependence on discounting, which will help restore profit margins.

Comet, the number-two chain which is owned by Kingfisher, has lost market share but still remains the dominant out-of-town electrical retailer, the report says.

The position of the two leading companies will be challenged by Clydesdale, the Glasgow-based retailer, and the privatised electricity companies, which are stepping up their commercial activities.

Collectively, the electricity companies account for 10.6 per cent of the total electrical retailing market, behind only Dixons with 13.3 per cent.

Verdict on Electrical Retailers, Verdict Research, 112 High Holborn, London WC1V 6JS. £595.

Readers' inquiry service

THE Financial Times has started a reader service in response to the growing number of inquiries the newspaper receives each day.

The purpose of the service is to provide an efficient response to readers who have questions about the contents of the newspaper or about specific articles.

Simple requests for the dates of, or references to, articles in the FT will normally be provided free, but a reasonable fee may be charged for copies of articles, surveys or financial data.

Inquiries can be made by telephone on 071-873 4211 or by letter and will be answered as soon as possible, usually on the same day. Inquiries can also be made by fax to 071-873 3084.

Four researchers staff the service, which is open Monday to Friday, 9.30am to midday and 2pm to 4.45pm. A call queue system is in operation.

If there is a charge for the information, payment will usually be by credit card – all main credit cards are accepted – or by a cheque in advance. Callers will be informed of the cost of the inquiry in advance and will be asked to quote their credit card number.

Women managers

THE small number of women managers in industry was highlighted yesterday by Ms Gina King, head of the Industrial Society's equal-opportunities unit.

"The fact that recent estimates claim women fill only 1 per cent of top management posts and 4-5 per cent of senior and middle management jobs is a disgrace," she said.

Paying the price of traffic jams

Richard Tomkins on a city's proposal to fit meters in private cars

THE journey from Cambridge railway station to Cambridgeshire County Council's headquarters was short: but not so short as to prevent the taxi driver making his point.

"It's a complete load of old cobblers," he explained.

"It's bad enough that you should have to sit in a traffic jam at all, without having to pay for the privilege."

Yet pay he might, along with every other driver in Cambridge: for the city is planning to be the first in Europe to charge people on a pay-as-you-go basis for the use of its roads.

The idea of rationing road space by charging for it – known as road pricing – is gaining ground as offering the most realistic solution to traffic congestion, particularly in urban areas.

Until now, European governments have preferred to live with worsening traffic jams rather than risk the political repercussions of introducing such a scheme.

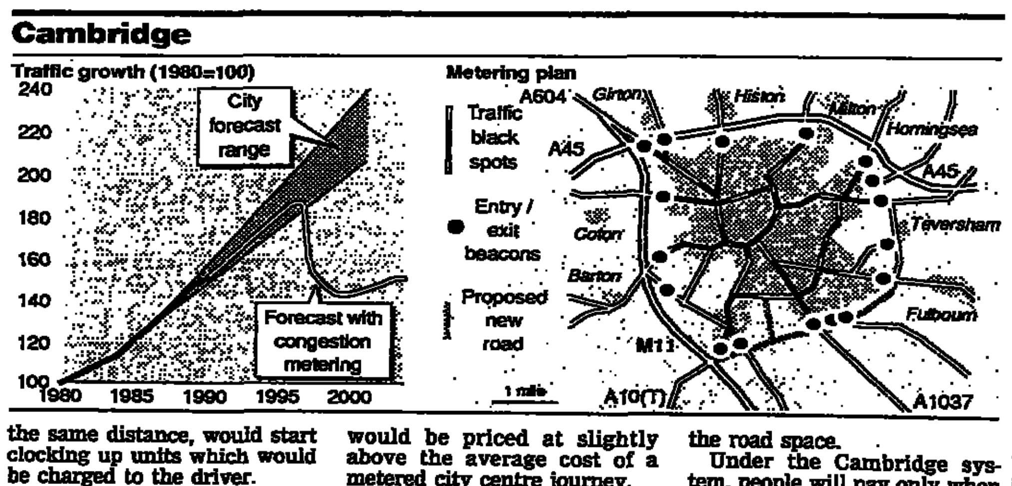
But in Cambridge the county council has been thrust into the vanguard of transport planning by a mounting traffic crisis.

The city's rapid economic growth has caused traffic on the main radial roads to increase by 47 per cent over the past 10 years, and it is forecast to rise by another 40 per cent by the end of the decade.

The existing roads simply cannot cope, and increasing road capacity would mean demolishing swathes of the city centre. The Conservative-controlled county council has decided that the only alternative is to manage demand.

The method it has chosen is to discourage people from using scarce road space at the busiest times by charging drivers who add to congestion.

Vehicles would be fitted with meters which monitored their progress through the traffic. Any vehicle stopping four times or more within any ½-km stretch, or taking more than three minutes to cover the same distance, would start clocking up units which would be charged to the driver.



For example, the traffic planners estimate that a typical 5km journey would clock up between four and eight units. If the units were priced at 20p, the journey would cost between 80p and £1.60.

Drivers would pay their charges with pre-paid smart cards, rather like phonecards, which would be inserted into the meter and debited as the journey progressed. A visual display would tell drivers how many debits remained.

The meter would be linked to the fuel system and would theoretically cut off the fuel supply when credits ran out. In practice, an "overdraft" would be allowed up to, say, 50 units to give people time to obtain a fresh supply of cards.

Normally dormant, the meters would come into operation when activated by micro-wave signals emitted from roadside beacons at all 17 entry points to the city. Similar signals would switch the meters off as vehicles left.

Meters would be fitted compulsorily, but free of charge, to all vehicles normally kept within 12 miles of the city centre.

Some 92 per cent of all journeys into the centre originate within a 12-mile radius. Visitors from further afield would buy day passes from machines at city entry points. These would be priced at slightly above the average cost of a metered city centre journey.

Day passes would be placed in windscreens and, as with the meters, would respond to the micro-wave signals from the roadside beacons.

Vehicles failing to respond as they passed an entry point would be automatically photographed so that the drivers could be traced through their registration numbers and penalised.

Ultimately, the aim would be to use the proceeds from the system to construct a light rapid transit railway which would provide car drivers with an alternative means of entry to the city.

The system is the brainchild of Mr Brian Oldridge, transport director at Cambridgeshire County Council. It is being developed by Newcastle University with a grant from the Science and Engineering Research Council.

At present, the only other road pricing system is in Singapore, where motorists have to buy a daily or weekly permit if they want to drive into the city centre during the morning peak. Permits are checked by police at the city's 29 entry points.

Mr Oldridge says the fault with the Singapore system is that it represents a tax on entry to the city which does not relate directly to the use of the road space.

Under the Cambridge system, people will pay only when they add directly to congestion. The cost, too, will depend on the motorists themselves. If large numbers of them insist on using busy roads at busy times, their journey costs will rise as delays get worse. If, conversely, they try to avoid adding to congestion, the traffic jams will ease and journey costs will come down.

"Our plan follows simple free-market principles," he says. "Motorists themselves will define the tolerance level. If the congestion price is too high, it will meet resistance from the market and the price will come down."

Mr Oldridge is hoping to get a field trial of the system in operation by 1994 with a view to introducing a full-scale system in 1996. But before then, the county council will have to seek appropriate powers through a private bill. Inevitably, this will cause controversy.

But surprisingly there seems remarkably little opposition locally. Mr Oldridge says a city-centre pedestrianisation scheme has brought more objections. He has received only eight letters on the subject of road pricing, with more of them in favour than against.

If the taxi driver represents the majority, it appears to be a silent one.

Editorial comment, Page 22

Think-tank criticises telecoms white paper

By Hugo Dixon

PLANS to liberalise the UK telecommunications market have not gone far enough, says a paper published today by the Centre for Policy Studies, the right-wing think-tank.

The pamphlet, written by Professor William Letwin of the London School of Economics, argues that the government should build on its telecommunications white paper, published last month, by promoting further liberalisation and tightening the regulatory framework.

The white paper proposed abolition of the British Telecom/Mercury Communications duopoly for domestic communications and opening the market to new competitors.

Prof Letwin says the government should in addition abolish the duopoly in international services because this would help reduce prices.

He also favours greater openness in the way Oftel, the industry watchdog, regulates BT's prices. Prof Letwin argues that BT should be forced to disclose detailed accounting data and to hold public hearings about its prices. "Transparency in regulation can help to stimulate competitive entry; a lack of it tends to exacerbate uncertainties that discourage entry," the paper says.

Similarly, Prof Letwin argues that excessive vagueness over criteria that determine whether competitors are granted licences will discourage new entrants.

The paper proposes that BT and Mercury networks should be treated like "public highways", with competitors being free to inter-connect with them by paying charges that reflect costs.

Freeing the Phones: the case for more liberalisation. Centre for Policy Studies, 8 Wilfred Street, London SW1 6CTL. £7.95.

UK NEWS

Government expected to tender out post services

By Roland Rudd

THE BRITISH government is conducting a detailed audit of the Post Office, the state-run service which has a monopoly on low-cost postage, to help it decide how to introduce more competition.

Once the analysis is completed a Department of Trade and Industry (DTI) committee, under the chairmanship of Lord Hesketh, the industry minister with responsibility for the Post Office, will draw up its favoured option for establishing tendering in the business.

In the first independent investigation of its kind, the DTI is looking into the cost of every Post Office function, from the collection of a letter to its final delivery. It hopes to finalise its report by July.

The audit reflects the priority that Mr John Major, the prime minister, has given to privatisation as an ingredient in the Conservatives' general election manifesto.

The Hesketh committee may fall short of advocating outright privatisation. But it will almost certainly propose opening the Post Office to some form of competition in its letters business through encouraging competitive tendering for particular services.

Lord Hesketh: examining competition options

Ministers have been frustrated by the lack of financial information provided by the Post Office's management.

They hope the report will show the extent of any cross-subsidy between the different geographical and business divisions within the Post Office.

The Post Office, which has a monopoly on letters costing less than £1, is divided into three divisions, parcels, counters and letters. Labour costs account for more than 80 per cent of total costs. Although the Post Office is profitable the DTI wants to know why profits fell last year from £170.1m to £116.4m on turnover that was up from £3.9bn to £4.4bn.

Ministers are also concerned that the consumer is not getting value for money.

While the DTI has not yet committed itself to any one option, a proposal to introduce competitive tendering, which falls short of straightforward privatisation, is gaining support.

Under that system the task of sorting and collecting the mail in local districts would be contracted out.

The bidders could include the in-house Post Office organisation, private couriers or management buy-outs organised by Post Office staff.

The plan's attraction is that it would introduce competition while keeping the Post Office's national network intact.

However, ministers are sceptical of the ability of private couriers, such as TNT, the Australian-based delivery company, to run a full rival letters service to the Post Office.

Court case against Lloyd's opens today

By Richard Lapper

THE FIRST of a series of legal battles involving members of Lloyd's, the insurance underwriters, starts in earnest today when the High Court in London considers the case of the Oakeley Vaughan Names.

The case is particularly significant as Lloyd's itself is named in the suit - the first time in the market's 300-year history that it has been sued by Names, investors in the syndicate who have unlimited liability in the event of losses.

Four underwriting syndicates managed by the now-liquidated Oakeley Vaughan agency in the early 1980s suffered losses of more than £38m. More than 250 Names were originally members of the syndicates and 23 Names, are suing the Lloyd's Corporation for failing to properly supervise the market. Twenty two Names are party to a subsidiary writ.

At a time when Lloyd's is seeking to persuade many of its 26,500 Names to increase the amount they commit to underwriting, the case could bring unwelcome publicity. It comes less than three weeks after it emerged that the Serious Fraud Squad was considering an investigation into a separate business deal at Lloyd's.

Worse still, a series of civil cases by more than 3,000 Lloyd's Names involving accusations of negligence against agents, and in some cases brokers, is set to come to court later this year or in 1992, ensuring a steady flow of unwelcome publicity for the market.

In the Oakeley Vaughan case the Names are suing Lloyd's to establish whether Lloyd's owes a duty of care to them in relation to the supervision of their syndicates. The Names allege Lloyd's was negligent in that it should have taken action to close the Oakeley Vaughan agency before the losses were incurred. They allege that Lloyd's was in breach of its duties to Names under contract, statutory and common law.

It is understood that Lloyd's denies that it has a duty of care in the sense that a Name is entitled to rely upon Lloyd's to exercise satisfactory supervision of the market.

Lloyd's will also claim that under the terms of the Lloyd's Act of 1982 it is immune to any action alleging breach of duty.

On Friday Lloyd's refused to comment.

The case is to be heard in the High Court by Mr Justice Gatehouse and is expected to last up to nine weeks.

Tories to promise sharp cuts in bills for poll tax replacement

By Philip Stephens, Political Editor

THE GOVERNMENT will tomorrow seek to regain the initiative in the local election campaign with a pledge that most households would pay less than £400 a year under its planned replacement for the poll tax, the per capita tax to pay for local services.

Mr Michael Heseltine, the environment secretary, will promise a 25 per cent discount for single-person households and a strict upper limit on bills for the wealthly when he unveils details of new property tax in the House of Commons.

Bills for couples living in properties worth less than £40,000, or £50,000 in low-spending local authorities, will be put at £200 or less. Across the country those on the lowest incomes will be exempt entirely, abandoning the poll tax principle that everyone should contribute something to the cost of local services.

His announcement will be followed on Wednesday by a relaunch of the Conservative campaign for the local elections. National opinion polls show Labour and the Conservatives each claiming about 40 per cent support, but the signs so far have been that Labour is heading for sweeping gains on May 2.

Ministers last night were voicing confidence that what one referred to as a "lorryload" of illustrative figures accompanying Mr Heseltine's statement would persuade many waverers to return to the Tory fold.

Ministers voiced confidence that the new system would provide Mr Major with a durable escape route from the poll tax fiasco: "It is credible, fair and, above all, it is not the poll tax", one member of the Cabinet said. He added that: "Everyone will be able to see exactly how much they would pay". Except in the case of a small minority of the wealthiest households that would be less than under the poll tax.

Mr John Major, the prime minister, had originally intended to put forward the scheme - a property tax based on on two-person households with a discount for single people - as an option for consultation. Charges that he was "dithering" over replacing the poll tax, however, has persuaded him to make it a firm proposal.

The tax will be progressive, because household bills will be linked directly to the seven bands into which properties will be slotted according to their capital values.

The bands will be relatively tightly compressed to ensure that average bills for the most expensive properties are no more than 2.5 times those for the cheapest.

Ministers said the tight banding was necessary to ensure that voters in relatively high-value properties in the south of the country are not unfairly penalised by a return to a property-based system.

Mr Heseltine will claim that a comprehensive "capping" system to hold down local authority spending will ensure that bills for the council tax are kept much lower than under Labour's alternative. He will also announce that the new tax can work without a fundamental overhaul of the present system under which the government distributes grants to councils.

The Government estimates the system will save £300m a year in collection costs compared to the poll tax.

Democrats outline post-election terms

By Philip Stephens, Political Editor

MR PADDY Ashdown, the Liberal Democrat leader, underlined yesterday that the price of his party's support for a minority government after the next general election would be a commitment to proportional representation.

His comments came as senior ministers acknowledged that Mr John Major, the prime minister, would welcome the endorsement of Dr David Owen - the leader of the erstwhile SDP - during the election. The ministers dismissed as "ludicrous", however, weekend reports that such an endorsement could win Dr Owen a place in Mr Major's cabinet.

News of the contacts prompted a senior Labour party official to comment that it was further evidence of Mr Major's indecisiveness; "When the ditherer is do desperate that he consults the Doctor it is clear that even the Tories have begun to recognise that their condition is terminal", the official said.

Interviewed on BBC Radio, Mr Ashdown said that his party was not seeking a "hung" parliament as a result of the election. Instead it was intent on maximising its own support for a radical strategy that marked it out clearly from both the Conservatives and Labour.

● Mr Major took time off from the affairs of state at the weekend to check up on his school records. The result was a definitive announcement from his office about his O-levels - he has six.

The news was delivered with a touch of resentment that the press had successfully harried a prime minister into crawling about in his attic looking for old examination certificates.

Directors' rises criticised

By John Hunt

DIRECTORS' pay increased last year while the real value of managers' pay fell for the first time since 1984, according to a survey by the British Institute of Management (BIM).

Directors' pay rose by 11.5 per cent for the year ended last January, a rise in real earnings of 2.3 per cent.

Mr Peter Benton, director-general of the institute, warned: "This may damage the relationship on which good leadership is based.

"Managers are being required to accept reduced payments but directors in larger organisations continue to pay themselves more, even in hard times."

Directors should ask themselves if they were worth the rises they awarded themselves, he said. Where earnings were tied to profitability, directors should accept the same medicine as their managers when profits fell.

Managers' pay rose by 9.5 per cent, but once deductions for tax and national insurance were taken into account the true value of their wages fell by 0.4 per cent.

Their pay was also hit by a fall in bonuses.

The BIM report showed that more than 11 per cent of directors were paid more than £100,000 and nearly one in five received a further £10,000 in bonuses.

Directors in companies with a turnover of more than £600m received the biggest rises with chief executives winning average increases of 22.7 per cent, taking average remuneration to more than £210,000.

The figures from the BIM confirm a trend reported by Hay Management Consultants for the CBI last week which said that base salary of top executives had risen 14 per cent from August last year to January this year.

That report sparked off a political row over high boardroom pay at a time of recession when employees were being asked to accept lower wage settlements.

THE QUEEN'S AWARDS

FOR EXPORT AND TECHNOLOGY 1991

In spite of ERM entry and high interest rates, the 1991 Awards follow a year of relative success for British exporters. But change is in the air and many remain concerned at the level of government backing for overseas sales efforts. **Peter Montagnon** reports

Deep-seated doubts remain in industry

IT HAS become easy over the past few years of yawning deficits in the balance of payments for Britons to assume that their once proud trading nation has become an exporters' graveyard.

A closer look at recent statistics, however, reveals this defeatist attitude to be wide of the mark.

In 1990, for the second year running, the volume increase of British non-oil exports exceeded the overall growth in world trade by a wide margin.

That such an achievement was possible in a year of high real interest rates, not to mention entry into the exchange rate mechanism of the European Monetary System at a level regarded as high in the export industry, is remarkable enough. It adds a general piquancy to the specific razzamatazz surrounding this year's Queen's Awards celebrations.

Yet, even in spite of this success, there remain deep-seated doubts in industry about whether Britain is properly organised to make an assertive way on world markets.

The occasion of the Queen's Awards is an appropriate moment to examine these doubts insofar as they relate to government commitment to exports.

The awards themselves are typical of the government approach, in that they are a low cost, high profile marketing instrument. Companies which win them say the royal imprimatur helps their sales overseas.

This year, however, the awards come at a time when the relationship between government and the export industry is both fraught and subject to change.

The short-term business of the Export Credits Guarantee Department is being privatised, while the Treasury has become increasingly anxious to rein in ECGD's activities in insuring long-term credit to politically risky developing countries.

On the promotion front, the British Overseas Trade Board has a new chairman in the form of Sir Derek Hornby, a former chairman of Rank Xerox.

The government recently announced the creation of a joint directorate linking the export services provided by the Department of Trade and Industry and the Foreign Office. Henceforth all the services will be marketed under the brand name of "Overseas Trade Services".

The basic philosophy behind the government's approach to trade in the 1980s was the non-interventionist one that comes naturally to a Conservative administration. In a recent interview, Mr Tim Sainsbury, trade minister, described the government's rôle as being that of "enabler".

It was the job of government, he said, to try and break down barriers to trade, for example through the Uruguay Round talks in the General Agreement on Tariffs and Trade.

Government also had a part to play in drawing the attention of industry to export opportunities, but the actual decision-making, choice of market and sales effort had to be left to the companies themselves.

It is a point of view echoed by Sir Derek Hornby.

"We tread a very careful line", he said. "In our relationships with industry, we are the enabler and facilitator. I honestly don't regard it as any part of my job to go out and arm-twist people."

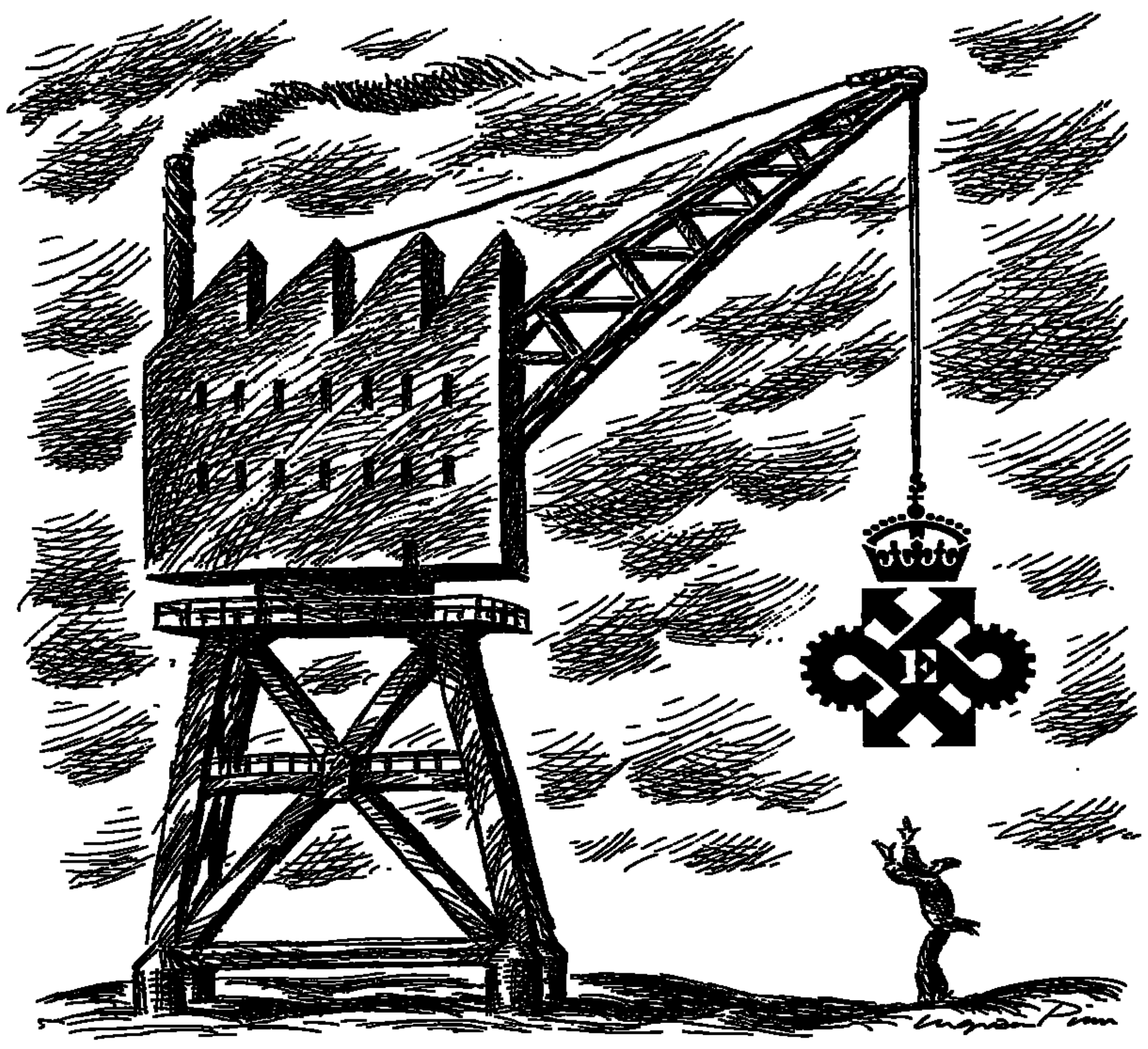
The government, he said, was particularly well-placed to provide information support for exporters because of the store of knowledge built up by its embassies overseas. The change a couple of years ago to a system of charging for market intelligence had gone well. The willingness of exporters to pay was an indication that they appreciate the services provided. It also helped the BOTB to determine priorities.

Shortage of resources means that BOTB has to concentrate its efforts on the most promising markets. In its current forward plan these are defined as western Europe, Japan, North America, Asia and the Pacific Rim, but Sir Derek stresses that this does not mean other areas are neglected.

In fact, it is in precisely such areas as Latin America that government strengths are greatest. It has a fund of information through its diplomatic presence that a private sector purveyor of information could not hope to rival.

The creation of the new Overseas Trade Services directorate is intended to give a greater impetus to this effort and promote a single sense of purpose among the DTI staff who occupy many of the domestic positions and the diplomats resident in posts abroad.

Officials say it is not the forerunner of an Italian-style trade promotion effort, where commercial affairs have been taken out of the the hands of the foreign ministry and passed to a separate, quasi-autonomous institution. This regards itself as much more of a deal-maker than an information provider, and has even been known to look for ways of promoting imports to help create two-way trade with a given market.



One problem with the UK government effort is that it is almost impossible to measure the results. Critics say the government's reluctance to be pro-active reduces the value of its contribution. Supporters argue that the present system is preferable to the idea of picking markets and spending a great deal of money and effort only to discover that the wrong industry is receiving support in the wrong place.

The recently-ended first phase of the Opportunity Japan Campaign saw exports to that country fail to meet their target of doubling to £3bn in three years, although they did come within a respectable distance, having ended up at £2.6bn last year.

The increase in exports recorded during the period was roughly in line with that recorded by the UK's competitors.

On the one hand, this suggests that the campaign achieved little. On the other, one has to wonder what would have happened if no action had been taken to boost trade at a time when the business world was awash with stories (some of them completely false) that Japanese trade barriers made the market not worth tackling.

Significantly, the second phase will pay greater attention to the need for investment flows to follow trade, so that the UK may end up promoting inward investment to Japan.

This broader view reflects the reality of the marketplace better than a system whose bottom line is simply the total of exports from the UK.

Great hopes are also being pinned on Kuwait, where, after a somewhat hesitant start during which the field was left open to the US, export collaboration between industry and government has reached an unprecedented pitch.

According to seasoned businessmen such as Lord Limerick, former head of British Invisibles, the co-operation has been remarkable. "This is something that very much makes its mark on the Kuwaitis", he says.

VOLUME CHANGE (%)	UK non-oil exports	World goods exports
1981	-1.45	0.5
1982	0.71	-3.0
1983	0.54	2.5
1984	8.64	8.0
1985	6.61	2.5
1986	2.42	4.5
1987	7.57	5.5
1988	4.39	8.5
1989	9.21	7.0
1990	7.32	5.0

Source: Datastream, CSO, GATT

Trade was one aspect of the visit to Kuwait by Mr John Major, the first head of government to visit the emirate following the ceasefire in the Gulf. Business missions have also been led by Mr Douglas Hurd, the foreign secretary, and by Mr Peter Lilley, the trade and industry secretary.

Exporters to Kuwait are uniquely dependent on the government, not just for contacts with the Kuwaiti officials responsible for reconstruction, but even for getting to Kuwait at a time when air services have not resumed and the best approach is a bumpy ride in a military Hercules transport.

For the government, the attraction is clearly that the additional cost of supporting businessmen is small and the political profile high.

There is a typically British danger, however, that the exercise will degenerate into an orgy of self-congratulation in which less attention will be paid to the level of business won at the end of the day.

For the time being, the Kuwaiti effort offers the government a publicity distraction from one of the exporting industry's biggest worries – namely what many see as the single-minded way in which the Treasury is seeking to undermine the activities of the ECGD.

The well-publicised troubles of ECGD almost certainly constitute exporters' biggest concern.

For all the pleasure they take in last year's successes, for all the richly-deserved satisfaction of the Queen's award winners, for all the help they receive from the BOTB and the new directorate, many exporters believe that without ECGD, they will be fighting on world markets "with their right arms chopped off", as one succinctly puts it.

THE QUEEN'S AWARDS 1991

The export experts line up

From marmalade to mites, Andrew Jack surveys some of the winners

THE Queen's Award crest of cogs intertwined with arrows has not become a logo that exporters increasingly quest after. There were 849 applications for the 1991 awards, down from 969 in 1990. Applications have been fairly static since the awards were launched in 1966, when 734 companies were scrutinised.

The activities of this year's 118 export achievement award winners do not accurately reflect the contributions of their sectors towards the balance of payments: traditional manufacturing companies, exporting physical goods in crates, still dominate at the expense of services.

The 1991 list contains a number of "invisible" exporters, including Baring Securities, the only stockbroking firm to win an award, which generates 98 per cent of its earnings overseas and 70 per cent from Japan alone. Another winner, London-based Industrial Markets Research, carries out work for clients in Europe, the US and Japan.

Most of the University of Surrey's foreign earnings come from fees charged to overseas undergraduate students, with the rest from technology transfer contracts and post-graduate courses.

Other winners' products are more tangible: B&H Exchangers builds heat exchangers for marine and industrial use, and Lee Steel Strip, a Sheffield forge founded in 1888, produces stainless and carbon steel strip.

Some exporters capitalise on British crafts, such as Elsenham Quality Foods, purveyors of marmalades and preserves, and the Ballantyne Cashmere Company, which has marketing subsidiaries in the US and Japan for its hand-finished cashmere garments.

Other companies export goods that they do not actually produce. ICL's Workstations Product Group designs and distributes personal computers which are partly assembled overseas; B. A. Peters distributes sports yachts and cruisers; and Designers Guild designs and markets furnishing fabrics, but production is sub-contracted.

Some large, well-known names are among the recipients: Formica, which produces decorative laminate sheets; Weetabix, the breakfast cereal manufacturer; Cadbury Schweppes Overseas, the chocolate maker; and British Aerospace, which has a military aircraft division building Harriers, Hawks and Tornados.

Most awards have gone to small and medium-sized companies with less than 200 employees: 67 per cent compared with 57 per cent last year. Wayfarers, based in Cumbria, employs just seven staff to arrange walking holidays in the UK for overseas visitors while JPW Loudspeakers from Plymouth, with eight employees, exports 70 per cent of its hi-fi speakers. It has overseas markets in 30 countries, including the Far East.

All winners can demonstrate a rapid growth in exports. The awards are judged on the increase in volume going abroad over the previous three years compared with the performance of competitors and general market trends.

Many of the businesses have trebled overseas earnings during the period. Burn Stewart Distillers of Glasgow, under new ownership and management since 1988, has an intensive overseas programme to sell whisky to Europe, the Fast East and South Africa. Carrs of Sheffield, the largest UK manufacturer of silver and silver-plated photograph frames, has also trebled exports and they now comprise one-third of total production. The company points to the importance of frequent visits by senior staff and joint participation in overseas trade fairs to help win foreign contracts.

Even a large, established company such as Leyland Daf, which makes vans and trucks, has more than doubled export earnings in the past three years while Synon, a software house, has increased the contribution of overseas earnings 13-fold during the period.

There has been some concern in the past that many of the export award winners were foreign owned. That proportion is down slightly this year to 23 (or one-fifth of award holders), compared with 27 in 1990. Bechtel, the engineering contractor, Motorola, the manufacturer of cellular telephones, and Sun Valley, which processes chickens and turkeys, are all owned by US corporations. ComDev Europe, which manufactures parts for satellites is owned by a Canadian company while Komatsu UK, which makes earth moving equipment, is owned by a Japanese company.

Some home-grown UK businesses have performed sufficiently well to attract creditors from abroad. Technophone, a cellular phone producer, won export awards in each of the last three years as well as a technology award in 1988 and has recently been acquired by Nokia of Finland.

The age of companies varies tremendously. Key Organics, which produces agro-chemical and pharmaceutical screening products, was formed in 1986. At the other end of the scale, the Old Bushmills Distillery Company in Northern Ireland has been producing whiskey since 1608. Oxford University Press, the academic publisher, also began operating in the 17th century.

A handful of winners export "green" products: Combustion Developments of Bakewell, Derbyshire, produces pollution monitoring equipment; and Bunting Biological Control, which exports chiefly to North America and Europe, rears "beneficial" insects and mites which reduce agricultural damage without the use of pesticides. Constance Carroll Holdings, based in Skelmersdale, Lancashire, produces cosmetics which are not tested on animals.

The products of the winning companies often reflect changing global demand. Securon, a seat belt manufacturer, has responded rapidly to new legislations in foreign countries making seat belts compulsory. Cabletime, part of Carlton Communications, has grown rapidly by supplying cable television equipment across Europe and capturing nearly half of the UK market. Dunlopillo, the latex bedding and seating producer, highlights its use of natural materials in contrast to the synthetics used by other manufacturers.

L. A. Rumbold is in a niche of its own, making internal fittings, such as galleys and seats, for aircraft. It recently won a contract to install lavatories on Boeing 737 aircraft.

The changes in eastern Europe and the Soviet Union are beginning to be reflected in order books. The special projects division of A. P. V. Baker spent months in the Soviet Union during 1988 and 1989 negotiating to supply machinery for 10 cereal making plants. Payment has been arranged in Ecus and the Soviet Union's first sugar-coated cornflakes are already being produced.

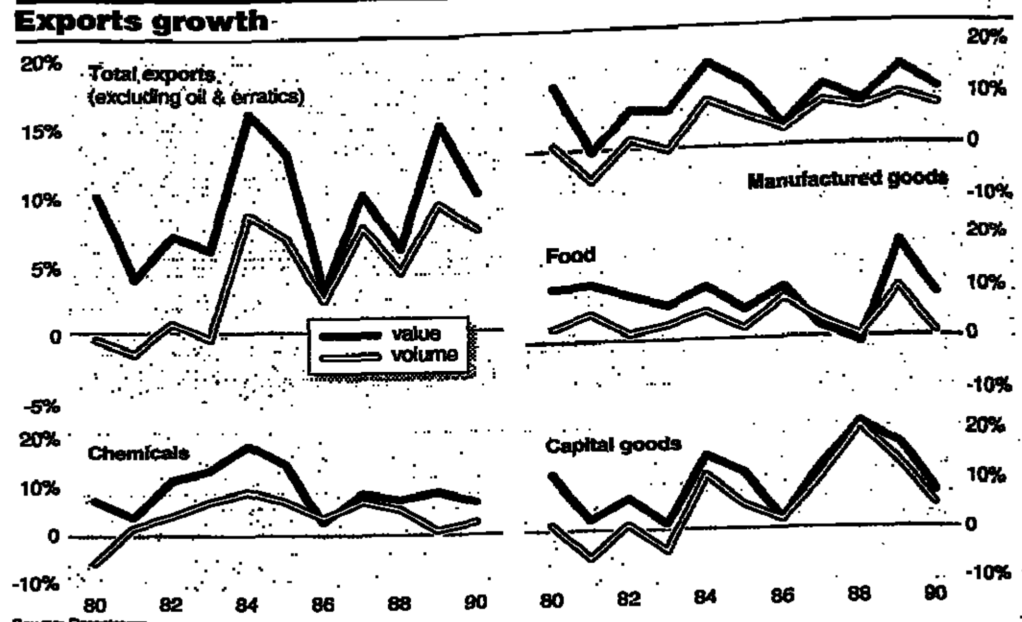
Several of the winning companies stress their export rôle in the developing world. Allmakes sells automotive spare parts and has a large contract to refurbish Soviet-built trucks in Angola. It has opened local offices with multilingual staff to help generate business.

The most mobile business operation is Steiner Group. Its hairdressing and beauty salons hold concessions on 30 cruise liners, including the QE2. Staff are trained in London, where they sleep in dormitories and work long hours to ensure that they can cope with the rigours of life on board ship, where the salons are open from 8am to 8pm every day.

Three companies won both technology and export awards this year: Fibreguide, which makes units for textile machinery; Bede scientific Instruments, which produces X-ray analytical equipment; and Synon, which has now won awards for four consecutive years. A dozen of this year's winners have previously received the export award within the last five years. Josiah Wedgwood, the ceramic company, receives its fourth export award this year, the 11th for the Wedgwood group as a whole since 1966.

When asked about the tangible benefits of a Queen's Award, some executives mention staff morale and international prestige. While entries each year seem to be static and unrepresentative of UK exports, many award holders obviously consider it worth re-applying year after year.

Exports growth

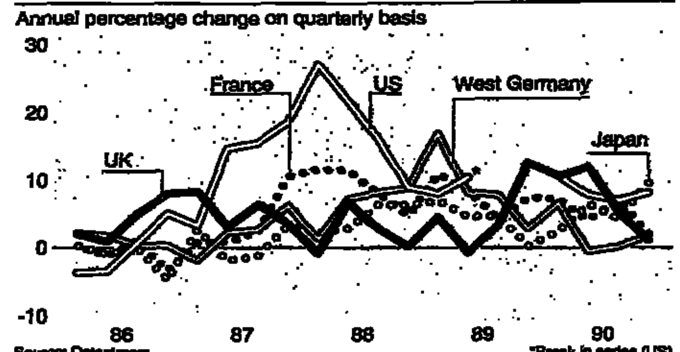


Source: Datastream

Geoff Kipling, Mac Kilburn and Andrew Jenkinson of Scmidt, makers of road cleaning equipment

Export volume

Annual percentage change on quarterly basis



Source: Datastream

*Break in series (US)

Engine of entrepreneurial growth

Exploiting the enthusiasm for technology can be rewarding, writes **Della Bradshaw**

IN THE mid-1980s the entrepreneurial high technology start-up was seen as the engine for Britain's economic growth. Now a clutch of small computing and telecommunications companies which took advantage of that enthusiasm are among the 1991 winners for the Queen's Awards for technology, and can stamp their notepaper with the coveted logo.

"The mid-1980s was a time when the UK was very positive to the formation of new companies", recalls Mr Geoffrey Manning, Chairman of AMT (Active Memory Technology), of Reading.

He believes that the ideas enthusiastically propounded in Thatcherite Britain fostered the establishment of high technology start-ups, such as his own. "It requires more than ideas to be successful. It needs people who are willing to trust small companies without a track record," he says. "The venture capitalists have to invest."

When Mr Manning took up the post of AMT's chairman in 1986 he was joining a company in which 60 per cent of the money came from venture capital companies. A further 20 per cent had been invested by ICL, which also provided the base technology for the digital array processor – a computer system which can process over 4,000 pieces of information simultaneously.

The confidence of the investors has paid off, with deliveries of the AMT equipment to customers in the US and UK for both defence and commercial applications.

Shareholders in software company Intelligent Applications, of Livingston Village, in Scotland's "silicon glen", can also afford themselves a quiet smile. The company, which had start-up funding from fund managers Baillie Gifford, was founded five years ago to develop industrial applications for expert systems – computer systems which are programmed to emulate human decision-making.

The company has been profitable for the past two years with over 300 companies in the US and UK using the Amethyst software – which diagnoses faults in rotating machines by monitoring the vibrations. It is this widespread use, says managing director Mr Robert Milne, which earned Intelligent Applications the first Queen's Award for expert system technology.

Two other 1980s software houses, Synon, of London, which was set up in 1983, and Systematica, of Bournemouth founded in March 1986, were also among this year's winners. Systematica was set up with £1.45m venture capital funding from Venture Link and £350,000 from the DTI's grant coffers.

The liberalisation of the telecommunications marketplace, in particular the licensing of companies to compete with British Telecom, proved a further spur to Telsis, of Fareham, to develop its Hi-Call telephone system. Anyone who calls up the latest share information, weather or horoscope phone services could well be listening to information recorded on the Telsis unit.

The innovations for which Telsis won the Queen's Award are interactive technology – by pressing certain buttons, certain options or courses can be followed – and voice response technology. Systems are now available which can recognise simple words, says Mr John Symes, sales and marketing director of Telsis, and the company is pursuing further developments in this area. Although Telsis was only set up in June 1987, it already had a turnover of £6.9m last year.

For this year's smaller winners, all eager to make their mark in the 1990s, there are few better companies to emulate than Quantel, the innovative television production company. Quantel revolutionised coverage of sporting events with its "picture in picture" techniques, enabling two moving images to be combined in the screen.

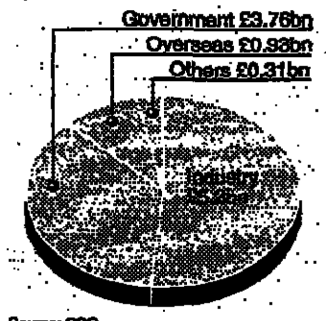
Although only in operation since the early 1970s, Quantel this year won its seventh Queen's Award for technology – it also won an export award in 1980. Quantel's Mr Dominic Lunney says this string of honours is a reflection on the company's policy of continuing to innovate. "This is not the kind of field where you can rest on your laurels," he says.

This year's award is for Quantel's Graphic Paintbox, an electronic pre-press system used in printing and advertising for the manipulation of images.

Although this year's awards have marked the achievement

Source of funds for UK R & D

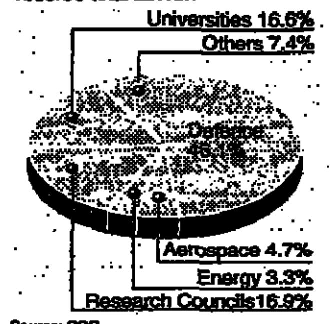
1988 total £10.3bn



Source: CSO

R & D expenditure by central government

1989/90 total £5.1bn



Source: CSO

of many small companies, Britain's industrial heavyweights have also been roundly rewarded with GEC, ICI, and STC all picking up Queen's Awards.

Telecommunications company GPT Payphones, now owned 60 per cent by GEC and 40 per cent by Siemens of Germany, won its first Queen's Award for technology for public phone systems which take credit cards instead of cash. As well as the phones GPT has developed the card validation unit – to check that the credit card has not been stolen – and the charging unit to ensure that the call charges are apportioned to the appropriate credit card company.

"We have been instrumental in moving the payphone from being just a social service to being a social service and a valuable tool for the businessman," says Mr Colin Beardmore, director of engineering at GPT Payphones.

The company's cashless phone systems, manufactured in a high-tech factory nestling in the suburban area of Chorley, Liverpool, are installed as far afield as Hong Kong, Moscow, Finland and Mexico, as well as the UK.

Other GEC companies to win technology awards are GEC Alsthom, of Stafford – for thyristor valves used in power transmission – and the military communications division of Marconi Communication Systems for its "Scimitar H" radio.

ICI scooped two awards, one for its Katalco company's catalysts and absorbants used in the purification of hydrocarbons and carbon dioxides and the second for its pharmaceutical division's "Zoladex" drug, for treating prostate cancer.

Britain's leading position in the world pharmaceuticals and medical technology market led to seven other Queen's Awards for technology in the health arena. The Royal Marsden Hospital in London, together with the Johnson Matthey Technology Centre and the Royal Cancer Hospital, for example, won its award for platinum anti-cancer drugs, while the central research division of Pfizer was honoured for its development of a drug to treat systemic fungal infections, especially in cancer and Aids patients.

Pharmaceuticals company SmithKline Beecham was singled out for its development of "Eminase", the clot-buster. Because the drug can be injected intravenously to treat heart attack victims quickly – they do not have to admitted to hospital before it can be administered – SKB believes Eminase could save up to 10,000 lives a year in the UK alone.

More mundane, perhaps, but bringing considerable quality of life improvements to patients is a colostomy bag which can be flushed down the lavatory. It won its developers, Eschmann Bros and Walsh, of West Sussex, a 1991 Queen's award. A sensing device used for recording the movements of patients over long periods – comprising a flexible stainless steel wire with a number of sensors attached – brought a similar award to the biometrics division of Penny and Giles.

Bede Scientific Instruments and a combination of Bio-Rad and the Medical Research Council both won awards for scientific instruments – in the case of Bio-Rad for a special laser scanning imaging system which enables scientists and medical researchers to study the components of cells.

As ever, the Queen's Awards have thrown up a myriad of industrial developments, from composite aircraft propellers (Dowty Aerospace) and parts for aircraft gas turbine engines (TI Reynolds) to machinery for textile producers (Fibreguide) and ceramic inking rolls for the printing industry (Sandon Flexographic Printing Rollers).

A computer system developed by Foseco, of Tamworth, Staffordshire, to simulate the processes which take place in the metals casting industry, won its inventors an award, while Portals, of Basingstoke, won fame for its metallised plastic strip which provides the windowed thread in bank notes.

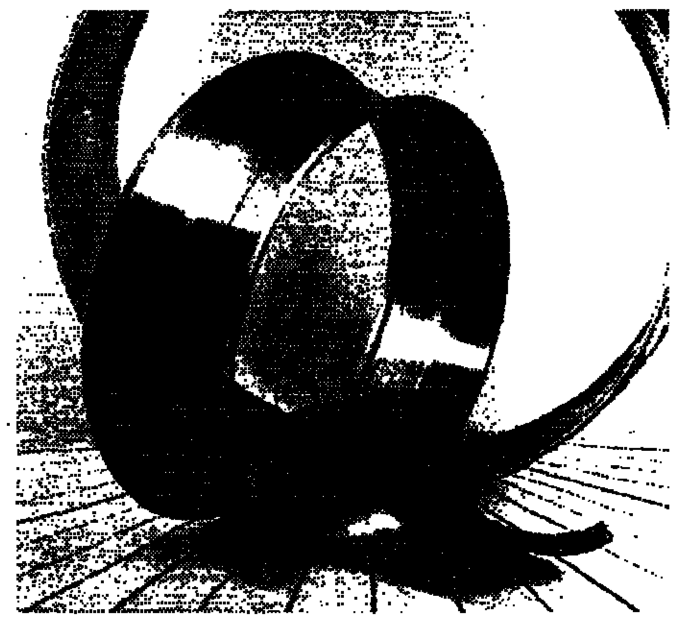
Oxford Magnet Technology was honoured for the development of "active shield" magnets, to reduce stray magnetic fields; Anson for a swivel joint for use in steel piping systems for oil and gas fields; and Wood Group Production Technology for oilwell instrumentation.

Three of the Redland group of companies got together to pick up a technology award for the development of the Cambrian interlocking slate. Although they look like traditional roof slates they contain only 65 per cent natural slate, combined with stone, resin and glass fibre. This makes them lighter and easier to use, as well as cutting the costs to the home owner.

And although it may not be politic to drink and drive, two companies have been given Queen's Awards for – separately – doing just that.

Guinness Brewing, of London, has won its award for a canning system which enabled the company to promise that beer as good as the draught variety could be made available in cans.

BSH Industries, of Manchester has developed a heating element for a car's rear window which can also act as a radio aerial system – enabling drivers to listen to the latest chat show while demisting the windows at the same time.



Ring of confidence: aero engine parts by TI Reynolds

THE QUEEN'S AWARDS 1991

ICI Pharmaceuticals, based in Alderley Park, Cheshire, has won a fourth award for technological achievement. This year's award is for Zoladex, an innovative prostate cancer treatment which is a step forward not only in pharmaceutical chemistry but also in drug delivery technology.

Zoladex cannot be taken orally because it breaks down quickly in the gastro-intestinal tract. It can be administered as a daily injection, but ICI researchers did not consider this method to be suitable for long-term use. Instead, they developed a sustained release formulation.

The active drug is dispersed in a small cylinder of biodegradable polymer, about the size and colour of a rice grain. This "depot" is injected under the skin and then gradually releases the drug over a period of one month. The patient – typically an elderly man – only has to visit his doctor once every four weeks to have a new depot inserted.

Zoladex is a synthetic chemical analogue of a natural hormone, LHRH, which is released by the hypothalamus and acts on the pituitary gland. It is much more potent than LHRH and blocks the action of the natural hormone. This interferes with a series of hormone-driven reactions in the body. The outcome of Zoladex treatment is to stop the testes producing testosterone, a male sex hormone.

Tumours of the prostate gland depend on testosterone to grow. If its production stops, the cancer is effectively cured. This has traditionally been achieved surgically by removing the testes. Zoladex brings about the same effect chemically – and therefore avoids the psychological trauma and medical risks of surgical castration.

ICI chemists first synthesised the active ingredient in Zoladex in 1976 and, after initial biological tests had shown promising results, it entered the development stage in 1978. But Zoladex was not launched commercially until 1987. This 11-year interval between discovery and marketing is about average for the international pharmaceutical industry – and shows the long timescales on which its R&D strategists have to operate.

Zoladex is now on sale in more than 20 countries, including most major pharmaceutical markets. Although its use so far has been for prostate cancer, Zoladex has recently been approved for treating breast cancer in several European countries and ICI is developing it for various other hormone-related diseases.

ICI declines to disclose current or projected sales figures for Zoladex, but some analysts believe that they could eventually reach £100m a year for prostate cancer and a further £100m a year for breast cancer and other diseases.

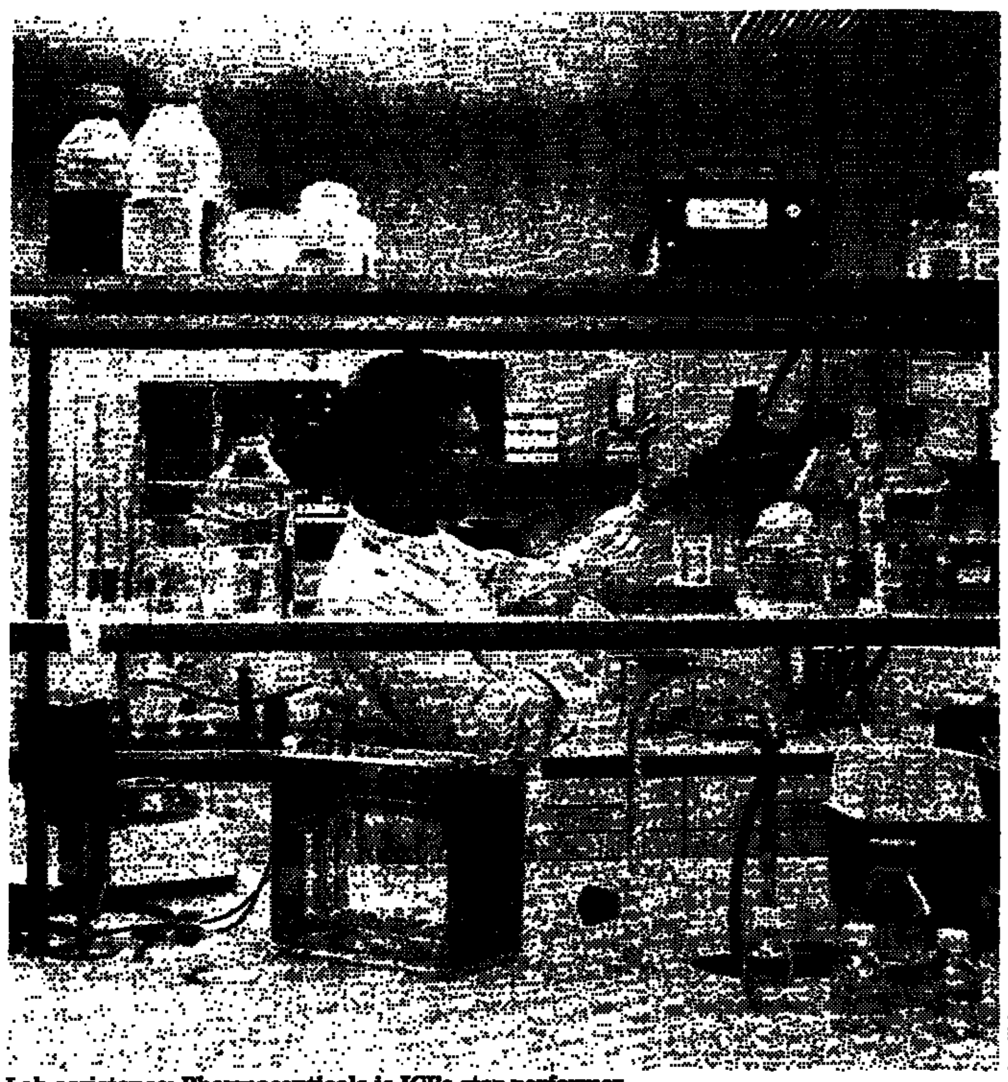
Last November ICI opened a £13.5m plant in Macclesfield, Cheshire, to make Zoladex; demand has been so great that a £8.5m extension was sanctioned before the main plant was complete. The whole factory will have the capacity to make 2m monthly doses of Zoladex per year.

The development of Zoladex grew out of ICI's long-standing expertise in hormone-based cancer treatments. Its anti-oestrogen breast cancer drug Nolvadex, launched in 1973 and winner of a Queen's Award for Technological Achievement in 1978, is now the world's best-selling cancer medicine.

Mr David Friend, chief executive of ICI Pharmaceuticals, says that cancer therapy accounts for "a large proportion" of the company's £200m a year expenditure on drug research and development.

The pharmaceuticals business is currently the star performer of the ICI group. The 1990 accounts show sales of £1.4bn and a trading profit of £489m for ICI Pharmaceuticals; it accounted for only 11 per cent of group turnover but contributed 47.5 per cent of profits. The company expects further strong growth from ICI Pharmaceuticals this year, while its other businesses remain mired in the depression affecting the general chemicals industry.

Clive Cookson



Lab assistance: Pharmaceuticals is ICI's star performer

ICI PHARMACEUTICALS

Treatment gets under the skin for curing cancer

SYNON and SYSTEMATICA

Firm success with software

THE skills of Synon of north London and Systematica of Bournemouth have won them a Royal accolade for technology and a place among the world's software élite.

Both have recently been named IBM "business partners" in applications software development, the only UK companies to be so honoured. IBM, the world's largest software manufacturer, has appointed only five business partners in this area; the other three are US companies. Indeed, IBM's sponsorship of this fairly esoteric computing field gives it both legitimacy and significance.

The Queen's Award is timely recognition of the UK industry's expertise in this special and sophisticated software. Their products are called computer-aided software engineering (Case) tools – in other words, computer software which writes computer software.

The world computer industry, contrary to its high technology image, has been backward at applying engineering disciplines to the business of software production; computer programs are still developed in ways which owe more to craft skills than to science, and as a result the software industry has a woeful reputation for software which is delivered late, fails to work or does not meet the customer's specification.

Synon and Systematica have developed software tools – special computer programs – which help programmers to write applications programs more quickly, more accurately and at less cost. Their approaches to the problem, however, and the kind of case tools they have developed, are quite different.

Synon (the name is derived from the "please sign on" request which greets a user when he or she turns the computer on) has developed a case tool called Synon II specifically for IBM's most important current mid-range machine, the AS/400. Synon II accelerates the development of software for the AS/400; programs which typically take a day to produce can be written in an hour or less using the tool.

The company was formed in 1983 by three people, Mr Simon Williams, now group chairman, Ms Melinda Horton and Mr Nicholas Knowles. All three had been working for a small software house developing bespoke applications for IBM mid-range machines.

They were inspired by the idea of developing a application generator for IBM's System/38 mid-range computer, an innovative machine so far ahead of its time that it had not proved a huge commercial success. The Synon team reasoned, however, that there was great potential in the design and that there would be powerful demand for a good applications generator to match it. Their faith was justified when IBM used the System/38 design as the basis of the AS/400, a computer which is proving outstandingly successful, generating an estimated $14bn in sales last year.

The level of funding necessary to develop Synon II was modest; the founders of the company funded development out of income from providing computing services and a capital injection of £50,000 from a satisfied customer, the French Connection clothing group. French Connection sold out at the end of 1989.

A key ingredient in the success of Synon was the opening of its US operation; sales soared from £700,000 in 1986 to more than £2m in 1987 and £7.2m in 1988, as US owners of AS/400 machines realised that Synon II was the only software generator both available and tuned specifically for their hardware. The company now has some 2,500 customers around the world ranging from the Salvation Army to major banking groups.

Mr Williams says he believed that Synon was about 12 months ahead of the opposition in the early days. He now thinks the margin is very much wider. Only now are competitive products appearing and they seem to be much narrower in scope than Synon II.

Synon's future seems relatively secure; IBM has just launched a new, more powerful version of the AS/400 while Synon is moving into applications software development using its own case tool. Its first target is an accounting package.

A close relationship with IBM (and Digital Equipment and Hewlett Packard) was part of Systematica's business plan when it was formed in 1986; that wish was fulfilled in September 1990 when the US giant took a 20 per cent stake in the company and announced it was appointing it a business partner.

Systematica is unusual even among case tool makers. It makes a case tool called VSF, which is used to build other case tools. To use a manufacturing analogy, Systematica makes the tools to make machine tools.

The company grew out of the frustration of the founders, Dr Andrew Wells, Mr John Pocock and Mr John Nicholls, who discovered as engineers and managers working for Plessey that the case tools they needed were not on the market. Plessey decided not to invest in software tools development, so the three secured £1.45m venture capital funding from Venture Link and a £350,000 Department of Trade and Industry grant and went into business for themselves.

Dr Wells explains that world class case tools typically take £20m to develop and have to be created to very exact specification for each industry – says telecommunications, submarine operations or commercial data processing.

The Systematica team, with Mr John Pocock providing the theoretical underpinning, reckoned they could use knowledge engineering – artificial intelligence – to cut the cost of building the tools by up to 95 per cent and making them available to the two million software engineers world wide who could make use of such sophisticated aids.

Now Systematica's VSF has been licensed to IBM, Digital equipment, Informix, Cognos and Information Builders, among others.

Customers include British Telecom, the European Space Agency and Barclays Bank. The product has generated some £7m in revenues in three years. VSF is a considerable piece of mathematical inventiveness, but its principal virtue is high speed at low cost. Case tools exist which will do all that VSF does – but at a price. They run chiefly on mainframe computers. Dr Wells points out: "No one else has managed to develop a case tool that runs fast enough on a cheap work station".

Alan Cane

Case history: Simon Williams says the infant Synon was 12 months ahead of its opposition

THE QUEEN'S AWARDS FOR TECHNOLOGICAL ACHIEVEMENT 1991

COMPANY	LOCATION	NAME OF PRODUCT OR DEVELOPMENT
A		
AMT (Holdings)	Reading, Berkshire	Distributed array computer processor (jointly with the VLSI Design and Architecture Division of the Electronics Division of the Defence Research Agency)
Anson	Gateshead, Tyne and Wear	Anson 'longlife' swivel joint used in steel pipe systems
B		
BSH Industries	Swinton, Greater Manchester	Use of heated rear windscreen of cars as a radio antenna
Bede Scientific Instruments	Bowburn, Co Durham	High resolution diffraction and topography systems for semiconductor characterisation
Bio-Rad Microscience	Hemel Hempstead, Hertfordshire	Laser scanning microscope (jointly with The Laboratory of Molecular Biology of the Medical Research Council)
British Coal Technical Department	Burton-on-Trent, Staffordshire	Extraction drum for dust and frictional ignition control at coalfaces
D		
Defence Research Agency - The Gallium Arsenide Device Division of the Electronics Division	Malvern, Worcestershire	Semiconductor optoelectronic components using advanced eiptaxial techniques (jointly with STC Optical Devices)
Defence Research Agency - The VLSI Design and Architecture Division of the Electronics Division	Malvern, Worcestershire	Distributed array computer processor (jointly with AMT (Holdings))
Dowty Aerospace Gloucester	Gloucester, Gloucestershire	Composite bladed propellers for commuter aircraft and hovercraft
E		
Eschmann Bros & Walsh (Simcare)	Lancing, West Sussex	WC-disposable colostomy bags
F		
Fibreguide	Macclesfield, Cheshire	Air-jet for intermingling of continuous synthetic yarns
Foseco (F.S.)	Tamworth, Staffordshire	"Solstar" metal casting solidification simulation system
G		
GEC ALSTHOM Transmission & Distribution Projects (TaDPoLe)	Stafford, Staffordshire	High voltage liquid cooled thyristor valve
GPT Payphone Systems	Liverpool, Merseyside	Cashless intelligent payphone services
Guinness Brewing Worldwide	London, NW10	Canned draught Guinness
I		
ICI Katalco	Billingham, Cleveland	Purification of gaseous and liquid hydrocarbons using new catalytic technology
ICI Pharmaceuticals	Macclesfield, Cheshire	"Zoladex", a drug for treatment of prostate cancer
Institute of Cancer Research: The Royal Cancer Hospital - Drug Development Section	Sutton, Surrey	Platinum based anti-cancer drugs and "carboplatin" (jointly with The Johnson Matthey Technology Centre and The Royal Marsden Hospital)
Intelligent Applications	West Lothian, Scotland	"Amethyst" expert computer system for engineering applications
J		
Johnson Matthey Technology Centre	Reading, Berkshire	Platinum based anti-cancer drugs and "carboplatin" (jointly with The Drug Development Section: The Institute of Cancer Research: The Royal Cancer Hospital and the Royal Marsden Hospital)
L		
Laboratory of Molecular Biology of The Medical Research Council	Cambridge, Cambridgeshire	Laser scanning microscope (jointly with Bio-Rad Microscience)
M		
Military Communications Division of Marconi Communication Systems	Chelmsford, Essex	Scimitar H high-frequency combat radio
O		
Oxford Magnet Technology	Eynsham, Oxford	Active-shield magnets for magnet resonance scanners
P		
Penny and Giles Blackwood — The Biometrics Division	Blackwood, Gwent, Wales	Measurement and recording of human movement by twin axes electrogoniometers
Pfizer — Central Research Division	Sandwich, Kent	Diflucan (fluconazole) for treatment of systemic fungal infections
Portals	Overton, Basingstoke	Windowed thread security paper
Q		
Quantel	Newbury, Berkshire	Graphic paintbox creative pre-press system
R		
Redland Engineering	Crawley, West Sussex	Cambrian interlocking slate (jointly with Redland Roof Tiles and Redland Technology)
Redland Roof Tiles	Reigate, Surrey	Cambrian interlocking slate (jointly with Redland Engineering and Redland Technology)
Redland Technology	Horsham, West Sussex	Cambrian interlocking slate (jointly with Redland Engineering and Redland Roof Tiles)
Royal Marsden Hospital	London, SW3	Platinum based anti-cancer drugs and "carboplatin" (jointly with The Drug Development Section of The Institute of Cancer Research: The Royal Cancer Hospital and Johnson Matthey Technology Centre).
S		
STC Optical Devices	Paignton, Devon	Semiconductor optoelectronic components using advanced epitaxial techniques (jointly with The Gallium Arsenide Devices Division of the Electronics Division of The Defence Research Agency)
Sandon Flexographic Printing Rollers	Runcorn, Cheshire	Keyless ceramic printing roller
SmithKline Beecham Pharmaceuticals Research and Development	Epsom, Surrey	"Eminase" a thrombolytic drug
Soil Machine Dynamics	Stocksfield, Northumberland	Subsea cable ploughs
Synon	London, N1	"Synon/2" computer software system
Systematica	Bournemouth, Dorset	Computer-aided software engineering
T		
TI. Reynolds Rings	Birmingham, West Midlands	Tru-form precision rings for aeroengines
Telsis	Fareham, Hampshire	Interactive voice equipment for automatic telephone services
W		
Wood Group Production Technology	Dyce, Aberdeenshire, Scotland	Permanent downhole oilwell instrumentation

GUINNESS

Draught taste to take home

IT MAY not rank with the ring-pull; it may even *sound like a contradiction.* But to one brewer, it represents a revolution in packaging: draught beer from a can.

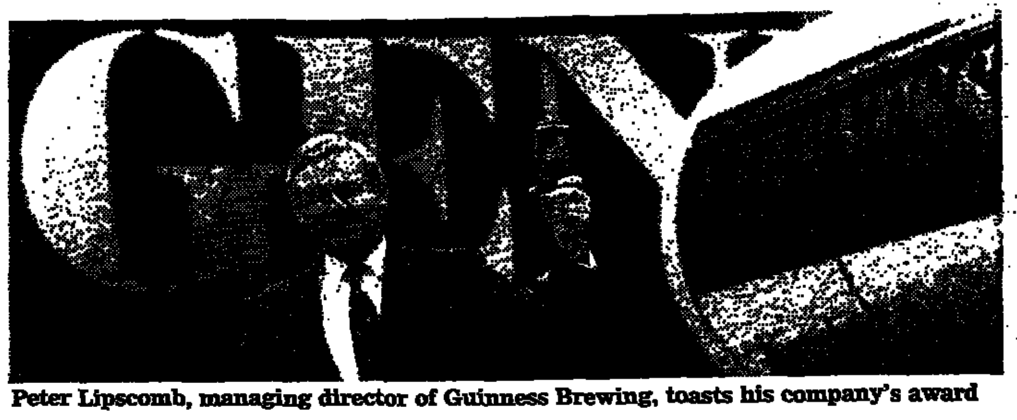
Just 30 years ago, Guinness drinkers were faced with change. The dark brew they had only been able to buy in bottles was suddenly available in their local pub on tap.

It was the dawn of a new era. Pressurised pumps were being introduced, allowing barrels of beer to be rapidly disgorged into glasses. Gas mixed with the beer as it churned out of the tap through a series of tiny nozzles, causing tiny bubbles to rise to the surface and form a creamy head. Experienced bar staff could carve shamrocks out of the thick foam that gathered at the top of the glass.

But then things changed once more. Drinkers began to abandon the pub for parties and solitary sips in their own homes. Demand for "take-home" beer grew sharply, to the extent that the market is now worth £1.5bn a year.

How could Guinness keep their 7m drinkers around the world content and prevent them switching to one of the rival 300 brands of canned beer? How could they sustain the volume of one million Guinness pints pulled each day?

The company spent £5m and five years working on a solution. It applied for a patent and



Peter Lipscomb, managing director of Guinness Brewing, toasts his company's award

launched the result in mid-1988: a beer called Draught Guinness, packaged in the "in-can system", a can with a special bubble-generating device sealed inside.

A plastic moulded ring with a small hole in it sits at the bottom of each can. As the beer is poured in, the oxygen is removed and extra nitrogen added, so that the pressure inside the can exceeds the atmospheric pressure outside.

Once the can is sealed, the internal pressure forces beer and gas into the ring at the bottom. When it is opened, the beer and gas is forced back out through the hole, creating a stream of bubbles which rise to form the head on the beer, just as with a draught pint.

Three years later, as Guinness Brewing Worldwide accepts its Queen's Award for Technological Advancement, it considers the design a success. The award reflects the introduction of a "genuine innovation to the beer market", according to managing director Mr Brian Baldock.

Some 120m cans of Guinness Draught have been sold, making it the sixth best take-home variety by value on the market. Current sales are estimated to be £45m a year.

There have been a series of minor modifications to both the technology and the production of the draught can since it was first introduced, although the company is coy about revealing details.

Drinkers have also had to learn the importance of preparing the beer before serving: keeping it chilled in a refrigerator for at least two hours before opening.

Canned Guinness Original, without the head created by the new device, retains a larger market share than the draught. The original, a spokesman explains, has a slightly more bitter taste, while the draught variety appeals to newer converts to the Guinness brews and younger drinkers.

The company refuses to comment on current research projects and future plans. Nevertheless, it has been keenly watching the market for bitter, which makes up 50 per cent of beer sales in pubs but only 30 per cent of those in cans.

Guinness has begun test marketing a new canned draft bitter using the same "in-can" system. Trials began in several UK regions last month. "We are actively considering the potential of other markets", says Mr Baldock.

Andrew Jack

THE QUEEN'S AWARDS FOR EXPORT ACHIEVEMENT 1991

COMPANY	LOCATION	NAME OF PRODUCT OR DEVELOPMENT
A		
APV Baker — Special Products Division	Peterborough, Cambridgeshire	Food processing/production equipment
Agrisystems (Overseas)	Aylesbury, Buckinghamshire	Agricultural consultancy services
Allen Industrial	Clwyd, North Wales	Vehicle tubing, cables and coils
Allmakes	Abingdon, Oxfordshire	Automotive spare parts
Arnold Designs	Chalford, Stroud, Gloucestershire	Decorative glass fibre laminates
B		
B&H Exchangers	Peterlee, Co Durham	Marine and industrial heat exchangers
B H-F (Engineering)	Abingdon, Oxfordshire	Glass container manufacturing equipment machine parts
BOC Cryoplants	Guildford, Surrey	Cryogenic plant for air separation
BRG International	Stockport, Cheshire	Rubber compound and granules for leisure industry
Ballantyne Cashmere Company	Innerleithen, Peeblesshire	Hand-finished cashmere garments
Baring Securities	London E1	Broking, distribution and research services
Bechtel	London W6	Construction and engineering contractors
Bede Scientific Instruments	Bowburn, Co Durham	X-ray analytical equipment and related software
Berne	Wellingborough, Northants	Knitted fabrics
Boss Trucks	Leighton Buzzard, Bedfordshire	Fork lift trucks and spare parts
Brett Martin	Mullusk, Co Antrim, Northern Ireland	PVC and GRP products for the building industry
British Aerospace (Military Aircraft)	Preston, Lancashire	Military aircraft, associated equipment and systems
British Alcan Rolled Products	Gerrards Cross, Buckinghamshire	Aluminium coil, sheet and foil
Bunting Biological Control	Colchester, Essex	Biological control organisms
Burlington Slate	Coniston, Cumbria	Natural slate
Burn Stewart Distillers	Barrhead, Glasgow	Scotch whisky and other alcoholic beverages
C		
Cabletime	Newbury, Berkshire	Cable television switching systems
Cadbury Schweppes Overseas	Bournville, Birmingham	Chocolate confectionery
Carrs of Sheffield (Manufacturing)	Handsworth, Sheffield	Silver and silver plated photograph frames
Cirrus Research	Hunmanby, North Yorkshire	Sound measuring equipment
Coates Coatings	Witney, Oxfordshire	Metal coatings and inks
The Cobb Breeding Company	Chelmsford, Essex	Broiler breeding stock
Com Dev Europe	Aylesbury, Buckinghamshire	Communications equipment for satellites
Combustion Developments	Bakewell, Derbyshire	Combustion analysers
Constance Carroll Holdings	Skelmersdale, Lancashire	Cosmetics production and marketing
Corin Medical	Cirencester, Gloucestershire	Orthopaedic implants
Cutting & Wear Resistant Developments	Rotherham, South Yorkshire	Hardfacing materials for cutting/drilling equipment
Cyberscience	Hoddesdon, Hertfordshire	Fourth generation computer software
D		
Delcam International	Birmingham, West Midlands	Computer software for 3D modelling
Designers Guild	London W12	Furnishing fabrics, wallpapers and soft furnishings
Dunlopillo UK	Harrogate, North Yorkshire	Moulded latex foam products
Martin Dunitz	London NW1	Specialist medical books
Du Pont (UK), Maydown Works	Londonderry, Northern Ireland	Man made fibres and synthetic rubbers
E		
Elsenham Quality Foods	Bishops Stortford, Hertfordshire	Preserves, marmalades and food gift packs
English Provender Company	Henley-on-Thames, Oxfordshire	Preserves, condiments and food gift packs
Extravert Design	London W8	Ladies' fashion clothing
F		
Farne Salmon & Trout	Duns, Berwickshire	Smoked salmon and trout
Fibreguide	Macclesfield, Cheshire	Textile machinery accessories and equipment
Field Airmotive	Croydon, Surrey	Repairs of aircraft engine parts and accessories
Fisher Controls — Process Automation	Leicester	Process control computer systems
Flight Link Control	Alton, Hampshire	Electric joystick controls for electric wheelchairs
Formica	North Shields, Tyne & Wear	Decorative laminate sheets and associated products
G		
Gibson Centri-Tech	Sutton Coldfield, West Midlands	Centrifugal casting machines and auxiliary equipment
Glantre Engineering	Reading, Berkshire	Lighting, sound, rigging, audio-visual for theatres
H		
H M B Subwork Ltd	Great Yarmouth, Norfolk	Remotely operated vehicle operations for oil industry
Harkers Engineering	Stockton-on-Tees, Cleveland	Complex machined components and assemblies
Helicon Yarns and Fibres	Tiverton, Devon	Elastometric yarns
Hounsfield Test Equipment	Redhill, Surrey	Materials testing machines
House of Campbell	Kilwinning, Ayrshire	Scotch whisky distiller, blender and distributor
Hurco Europe	High Wycombe, Buckinghamshire	CNC controlled metal cutting and other machines
I		
ICL Workstations Product Group	Bracknell, Berkshire	Personal computers, terminals and accessories
Industrial Market Research	London W5	Market research services
Carrongrove Mill of Inveresk	Denny, Stirlingshire	Matt-coated board and other paper products
Ironspray	Cwmbran, Gwent	High speed steel and tungsten carbide gauge parts
J		
JEM Smoke Machine Company	Spilsby, Lincolnshire	Smoke/fog generators and special effects production
J. P. W. Loudspeakers	Plymouth, Devon	Loudspeakers for hi-fi systems
J S R Healthbred	Driffield, North Humberside	Genetically advanced pig breeding stock
K		
Key Organics	Camelford, Cornwall	Agrochemical and pharmaceutical screening products
Komatsu UK	Chester-le-Street, Co Durham	Earth moving equipment
L		
Lee Steel Strip	Sheffield, South Yorkshire	Cold rolled precision steel strip
Jeffrey S Levitt (t/a Mint & Boxed)	Edgware, Middlesex	Dealer in antique tinplate and metal toys
Leyland Daf Holdings	Preston, Lancashire	Panel vans, trucks and commercial vehicle components
Linton Tweeds	Carlisle, Cumbria	Woolen and worsted fabrics
Lion Cabinets	Leeds, West Yorkshire	Mild steel enclosures for computer peripherals
Loughborough Sound Images	Loughborough, Leicestershire	Computer sub-assemblies
Lowe Refrigeration Company	Carry Duff, Co Down, Northern Ireland	Hire of refrigerated display and storage equipment
M		
Motorola, Stotfold Facility, International Cellular Subscriber Division	Hitchin, Hertfordshire	Cellular telephones
N		
Nautech	Portsmouth, Hampshire	Marine autopilots and other navigational aids
NEI Peebles, Power Transformers Division	East Pilton, Edinburgh	Transformers for electricity power supply industry
Newbridge Networks	Newport, Gwent	Wide-area networking products for communications use
O		
OCLI Optical Coatings	Dalgety Bay, nr Dunfermline, Fife	Thin film coated optical components
'Old Bushmills' Distillery Company	Bushmills, Co Antrim, N Ireland	Irish whiskey distillery
Oxford University Press	Oxford	Academic, educational and reference books
P		
John Partridge Sales	Rugeley, Staffordshire	Outdoor town and country clothes and accessories
B A Peters	Chichester, West Sussex	Sports yachts and cruisers
Phosyn	Pocklington, North Humberside	Trace elements for agriculture based on soil analysis
L E Pritchitt & Co (t/a Pritchitt Foods)	Bromley, Kent	Specially formulated dried and UHT milk products
Q		
Quatro Biosystems	Manchester	Medical laboratory instruments and spares
R		
R K Textiles Composite Fibres	Altrincham, Cheshire	Plant for maunfacturing carbon and associated fibres
R. S. R.	Pentwyn, Cardiff	Medical diagnostic kits
Racal Survey (UK)	East Tullos, Aberdeen	Offshore positioning and survey services
Redman Fisher Engineering	Tipton, West Midlands	Manufacture of industrial metal flooring
Ricardo Consulting Engineers	Shoreham-by-Sea, West Sussex	Research and development work on vehicle engines
Rigby-Maryland (Stainless)	Liversedge, West Yorkshire	Wire and welding consumables
Robertson Geologging	Conwy, Gwynedd	Computer-controlled borehole logging systems
L A Rumbold	Camberley, Surrey	Design/manufacture of aircraft interior products
S		
Schmidt Manufacturing & Equipment (UK)	Sutton, Cambridgeshire	Suction sweeping and streetwashing vehicles
Scientific Hospital Supplies	Liverpool	Nutritional products for medical dietary management
Second Nature	London W10	Novelty greeting cards and decorations
Securon (Amersham)	Amersham, Buckinghamshire	Automotive safety products
Sinclair International	Norwich, Norfolk	Fruit labelling machinery and labels
John Smedley (Hosiery Division)	Matlock, Derbyshire	Fully fashioned fine gauge knitted garments
Smith Wires	Halifax, West Yorkshire	Carbon steel wires
Spink and Son, Medal Manufacturing Division	London SW1	Medals and decorations
Starkey's Technicast	Hull, North Humberside	Continually cast iron bar
Steiner Group	Stanmore, Middlesex	Hair and beauty services
Sun Valley Poultry	Hereford, Hereford & Worcester	Poultry
Synon	London N1	Computer aided software engineering
T		
Technophone	Camberley, Surrey	Cellular telephones
Temco	Cinderford, Gloucestershire	Specialist fine and stranded conductor wires
Trafford Carpets	Trafford Park, Manchester	Custom-made Axminster and Wilton carpeting
U		
United Merchant Bar	Scunthorpe, South Humberside	Rolled steel and sections
University of Surrey	Guildford, Surrey	Teaching and technology transfer services
V		
Vision Engineering	Woking, Surrey	Optical inspection instruments
W		
The Wayfarers (UK)	Aspatria, Cumbria	Walking holidays for overseas visitors
Josiah Wedgwood & Sons	Stoke-on-Trent, Staffordshire	Ceramic tableware and ornamental ware
Weetabix	Kettering, Northamptonshire	Breakfast cereals
The Wellcome Foundation	London NW1	Pharmaceutical products
Wellman Process Engineering	Smethwick, West Midlands	Process engineering designers and contractors
Henry Whitham & Son	Sheffield, South Yorkshire	Heat-treated and machined steel forgings
F G Wilson Engineering	Newtownabbey, Co Antrim, N Ireland	Diesel generating sets and associated equipment
Y		
Yours and Mine	London N7	Ladies' and childrens' fashion clothing
Z		
ZED Instruments	Hersham, Surrey	Laser engraving machinery for printing and textiles

JEM

Success comes from behind a smokescreen

CLIFF RICHARD, the Clash and the Dutch fire brigade do not have much in common, but they all share a need for one vital ingredient: smoke without fire. From its Lincolnshire headquarters, JEM Smoke Machine Company has a solution.

About 60 per cent of JEM's business comes from the entertainment world, supplying machines which churn out smoke for artists, pop groups, television companies, theatres and nightclubs.

A recent contract for the Cure rock group demanded that the band be completely submerged in smoke during its performance. Other clients with strange and taxing requests have included the Rolling Stones, the London Hippodrome and Disneyworld. JEM can provide a few seconds to an hour of smoke, with depths of 10mm to more than 2m.

Another 40 per cent of the company's turnover comes from projects such as fire emergency training for the London Fire Brigade, the Swedish and British navies and Boeing aircraft flight simulators.

Emergency evacuation procedures used to create smoke by setting light to a bundle of hay, but the smoke was toxic, and the simulations could become as dangerous as real fires, since smoke inhalation normally causes more injuries and deaths than flame burns.

The Royal Aerospace Establishment in Farnborough uses JEM smoke in its wind tunnels; Shell tests for leaks in pipelines with the smoke; and a recent contract for Belgian market gardens uses the smoke to keep fruit warm and protect it from frost.

Mr Nigel Morris started the company in 1981 after becoming joint director of a sound and lighting equipment company, but without any equity stake. "I was at a dead end," he says. "There wasn't any further I could go, so I decided to set up on my own."

He began importing and exporting lighting and special effects, particularly those for smoke generation. By late 1984, he was ready to launch a machine of his own on to the market. "The marketplace was open. Margins were getting smaller and smaller in our business. But no one had ever designed a custom-made smoke machine," he says.

Smoke-filled room: Nigel Morris, founder of JEM (seated)

Conventional smoke machines use "dry ice" which has to be stored at extremely cold temperatures and then added to boiling water. It dissipates quickly and can cause severe frostbite if not handled properly. "It's very old fashioned," says Mr Morris.

JEM has developed 20 types of fluid, storable at room temperature, which use highly refined polyglycols mixed with de-ionised water. When the fluid is passed through a heat exchanger in the machine, it turns into safe, non-toxic smoke. The machines retail for between £250 and £6,000.

The company employs 40 staff, and manufactures about 1,000 machines a month. It also employs a part-time chemist, who is developing a product ready for launch in the next few weeks: a pryotechnic machine, which will create firework effects and coloured smoke. JEM has spent £180,000 developing the device and has a number of patents pending.

"We take the most difficult and complicated things we can do, which makes us insulated from competition and the machines difficult to copy," says Mr Morris.

JEM's turnover was £2m last year, and the company expects that to rise to £3.5m this year. It is one of the largest companies in its industry with only a handful of competitors.

Exports – which account for nearly 80 per cent of turnover – have been built up through a worldwide distribution network of theatrical agents and exporting companies. JEM now only tends to handle the larger orders itself. "We're not geared up to the £200 per product market," says Mr Morris. "But we handle the artists, who are invariably extremely temperamental."

Andrew Jack

BARING SECURITIES

Far East specialists

Christopher Heath: 'Japan has always been our business'

BARING Securities stands out among Queen's Awards winners in two ways: not only is it the only stockbroker to win an award, but it does so for the second time.

"It's helpful for staff morale ... and intriguing for our foreign client base", Mr Christopher Heath, founder and managing director of the company, says thoughtfully. After its last award in 1988, one Japanese business magazine mistakenly credited it as being newly-appointed stockbrokers to the Queen. That certainly did not harm business.

Overseas earnings have tripled since 1988. Over the same period the number of offices around the world has increased from five to 19, and the number of staff from 370 to more than 1,000.

The significance of exports is such that all but 2 per cent of revenues come from abroad, principally the Far East. Earnings were estimated to be around £70m during the last financial year.

The vast majority of earnings – some 70 per cent – are from Japan. Around 20 per cent derive from south-east Asia, with the remainder coming from Europe and Latin America.

The company has focused on the Japanese market since it was launched in 1984, and makes its money from both equities and derivatives – warrants, futures and options. More than half of that business is notable in coming from Japanese businesses themselves, which are buying Japanese products.

Mr Heath points to three factors which have helped the company do so well in a difficult foreign business environment: a commitment to research; a strong distribution team; and an acknowledged expertise, including strong market-making capabilities. It also helps that 215 of the 250 staff in the Tokyo and Osaka offices are Japanese.

"We are unique among stockbrokers", Mr Heath adds. "Japan has always been our business. We are not simply a UK business that has decided to diversify."

"Culturally, we run as a broking operation. Our success since Big Bang is due to the fact that we started from a blank sheet", he says. Baring has not had to fight the internal battles that have hampered and destroyed many financial service businesses since the mid-1980s.

Mr Heath himself was a Far Eastern specialist with stockbrokers Henderson Crosthwaite when he was asked to establish Baring Securities in the build-up to the changes in the City wrought by Big Bang in 1986.

"I had personally been following the Japanese market since 1974, and believed it had a lot to offer", he explains. "We had a research base and an office in Tokyo, and built up a business based on Japan."

Baring Brothers, the merchant bank, approached him to set up an independent company, to be run on similar lines as Baring Asset Management: financed by the parent company as a 100 per cent owned subsidiary, but operating entirely independently.

However, intense concentration on Japan has brought someproblems. "We were fortunate up till last year", says Mr Heath. "Then the Japanese market collapsed."

The declining volume of equities being traded cut into earnings. Nevertheless, business from other regions – and in derivatives, which were less affected by the stock market crash – meant the company did not cut employment, but actually increased the number of staff.

"I think things will consolidate and we will be well positioned to benefit from sustained recovery in the market," Mr Heath says.

At the same time, he has also increasingly steered the company into new regions. Barings' earnings from Japan have declined to 70 per cent from 85 per cent three years ago.

Looking to the future, Mr Heath predicts that the company will continue to diversify into new areas. He is sceptical of new opportunities in eastern Europe, at least in the short term. But he is looking carefully at Latin America, and planning further expansion in the emerging markets of Indonesia and Thailand.

Andrew Jack

BRITISH COAL

Clean sweep for new dust extractor

BRITISH Coal miners are less likely to suffer from pneumoconiosis – a lung disease contracted by inhaling dust – because of a new device that has just won the company its sixth Queen's Award for technology.

Credit for developing the dust extractor goes to a team at the British Coal Technical Department (BCTD), headed by Dr Vic Ford, whom his colleagues describe as "a dust expert".

Dr David Buchanan, director of research at BCTD, which employs around 500 people, explains how the extractor works. "The actual coal cutting machine is like a bacon slicer – it carves off a couple of feet of coal at a time from the coal face.

"On that machine there is a rotating disc, with metallic picks that knock the coal off. What we've done is to drill holes round the outer part of the disc, or drum.

"Then we blow air through to the other side of the drum, using pressurized water. The dust sticks to the water droplets and is blown through to the other side of the drum, where the water hits a metal plate and drains to the bottom."

A beneficial side effect of the new drum is that the airflow it creates dilutes the methane that naturally occurs in coal mines and can ignite accidentally during mining.

British Coal has been tackling dust for some time: it won a Queen's Award for a dust measurement device in the 1970s, and another for a dust filter in 1984.

Although dust levels in British Coal mines are low by world standards, explains Dr David Buchanan, director of research at BCTD, it is important to keep pace with improvements in productivity – more work means more dust.

The award-winning extractor has now been in use for around five years, and more than 150 have been produced each year for the last three years.

The technology has been licensed to outside manufacturers. A small number of extractors have already been sold overseas.

Funding to develop the extractor, which costs £7,500, was provided partly by British Coal Corporation, and partly by the European Steel and Coal Community.

British Coal has previously won Queen's Awards for steering technology on coal cutting machinery, and for developing geological exploration technology.

Juliet Sychrava

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DOWTY AEROSPACE

Propellers cut a slice of the market

DOWTY Aerospace Gloucester has won a Queen's Award for Technology for its advanced composite bladed propellers for aircraft and hovercraft.

All the composite propellers manufactured by Dowty have been exported. They have operated in commercial airline service for more than 3m hours, and are in service with more than 300 commercial airliners, including 300 Saab 340 twin engine aircraft made by Saab Scania of Sweden and 100 Dutch Fokker 50 airliners. The propellers are also used on hovercraft landing craft made by Bell Textron of the US.

The blades are made from carbon and glass fibres injected with resin, producing a low weight structure which reduces the total weight of a propeller system by up to 40 per cent compared with more conventional metal bladed propellers.

Dowty Aerospace Gloucester has automated the production of the blades. This involves an automated fibre braiding machine, designed and produced in collaboration with Babcock, the UK engineering company. The braiding machine weaves the carbon and glass fibre skins for the propellers in three dimensions simultaneously on a machine which Dowty says is unique.

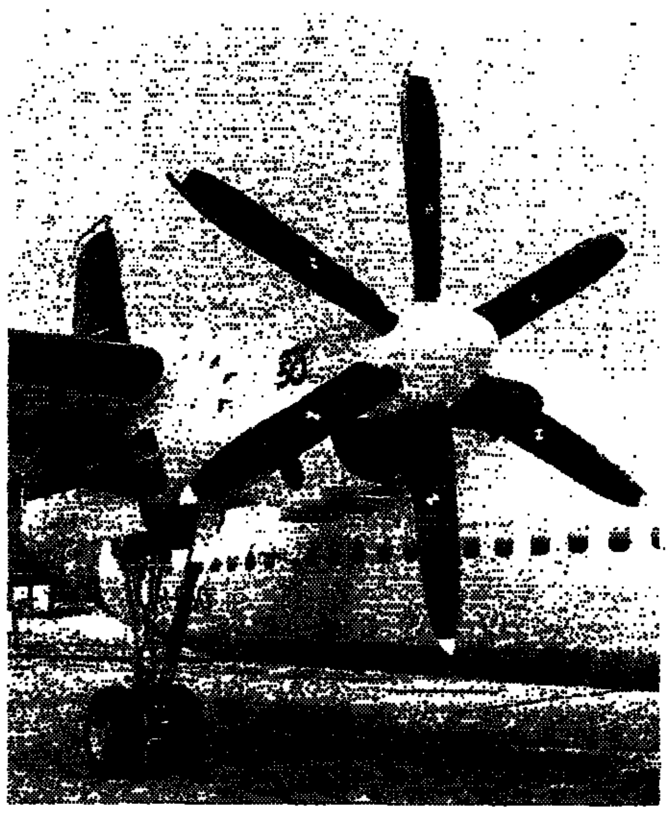
The blades are of a simple, lightweight construction, with a retention system to secure them to the hub at the root. This allows very large diameter propeller blades to be used for improved efficiency at slower revolution speeds, which in turn helps to reduce noise levels.

Mr David Davis, the managing director of Dowty Aerospace Propellers, part of Dowty Aerospace Gloucester, says the two four-bladed Dowty composite propellers on the Saab 340 34-seat commuter airliner save 200lb in weight, "equivalent to an extra passenger".

The propellers use a new aerofoil section which is efficient at take-off as well as when the aircraft is flying at cruising speed, a range of efficiency which was difficult to achieve with older aerofoils.

The company is exploring new *markets for its composite* bladed propellers, including their use on maritime reconnaissance and military transport aircraft. The propeller has already been tested on the US Lockheed P3 Orion aircraft.

Lynton McLain



Sharp mover: Dowty's propellers increase flying efficiency

CADBURY SCHWEPPES

'Vision of a world covered in chocolate

CADBURY SCHWEPPES *sees its future in* global terms. "We have retained a tight focus on our two business streams, beverages and confectionery, which we have continued to develop by a combination of organic growth, targeted acquisitions and partnerships," said Sir Graham Day, the chairman, in the last annual report.

The company's Queen's Award for Export Achievement *is a reflection of this strategy* in the chocolate business, part of the confectionery stream. Within the group organisation, this particular company is responsible, through Cadbury International, another subsidiary, for marketing chocolate abroad – by direct exports from the UK, by direct investment in overseas markets, by joint ventures with local companies in particular markets and through franchising.

Broadly, *Cadbury Schweppes* International has two strands of revenue: from direct sales and from dividends and royalties. *Concerned about its competitive position*, the group does not separate chocolate sales from general confectionery sales in any single market or group of markets. Direct exports of chocolate from the UK, however, are worth nearly one-third of domestic chocolate sales. Markets served by direct exports include some European countries, the Caribbean and the Far East.

In 1990, total group confec*tionery sales came to* £1.32bn, of which the UK share was just over half. But there were sales of £195.6m in Europe, £30.2m in North and South America, £290.3m in the the Pacific Rim and £91.2m in Africa and elsewhere.

Confectionery produced a trading profit of £163m, with the UK again accounting for slightly more than half, while £19.3m came from Europe, £8.9m from the Americas, £42.3m *from the Pacific* Rim and £9.2m from Africa and elsewhere.

This stream of the Cadbury *Schweppes business therefore* produced nearly 49 per cent of group trading profits, which totalled £333.9m. Group pre-tax profits for 1990 were £280m, or 14 per cent higher than in 1989.

The group is seeking penetration of the US and Canadian markets through partnerships

The Cadbury business works with a high degree of decentralisation. *The ownership and* general management of the brand names works through the two business streams but the operational control, country by country, is done on a local basis. The stream managers develop the products, the operational managers are responsible for sales.

Business techniques differ from country to country, depending on the commercial *conditions. Cadbury works* through associated companies (joint ventures with local groups) in, for example, Nigeria, India, Zimbabwe and Egypt, but has wholly owned operating subsidiaries in Ireland, France, Spain and the Netherlands. The group is also seeking penetration of the US and Canadian markets through partnerships with, respectively, Hershey and Neilson.

With such a spread of interests, performance varies. Last year Ireland was good, Spain developed along predicted lines, the Netherlands traded well, but France was difficult. *Returns were higher from Aus*tralia and New Zealand while companies in Malaysia and Indonesia turned in good performances. However, a drive into Middle Eastern markets was thwarted by the Gulf crisis and, as the last annual report put it, "resources were quickly deployed elsewhere".

Last year's trading was abnormal to the extent that considerable energy was *devoted to absorbing acquisi*tions made the previous year. This was not only a question of management but also of finances, as moves were taken *to translate short term debt* into longer term funding to reflect the international spread of interests.

One aim, as the group said, was to "match overseas borrowings with overseas assets and currency flows". The group's global aspirations found their financial concomitant in, for example, preference share issues in the US and Canada, and an Australian dollar Eurobond issue.

For the future, Cadbury Schweppes will continue to seek acquisitions and expand organically on both the confectionery and beverages sides of the business. The group is confident that the market for chocolate and chocolate-related products will continue to expand.

Paul Cheeseright

KOMATSU

Excavators clear a path

WHEN Komatsu, Japan's largest construction equipment group, announced in December 1985 that it was to begin manufacturing hydraulic excavators and wheeled loaders in the UK, the move took many in the industry by surprise.

Komatsu had been more reluctant than most Japanese companies to set up production overseas, preferring to supply foreign markets from its well-managed factories in Japan.

But the previous two years had seen the Japanese construction equipment make significant inroads into the European market, and in July 1985 *the* European Community introduced anti-dumping duties on Japanese hydraulic excavators of 26.6 per cent.

That was one reason why *Komatsu decided to take over a* factory at Birtley near Newcastle-upon-Tyne that had been closed one year earlier by its larger worldwide rival, Caterpillar *of the US, with the loss* of 1,000 jobs. But the chief aim was to respond more quickly to the needs of European customers.

It is in that context that the receipt by Komatsu UK of a Queen's Award for export achievement should be seen. Komatsu's aim was to make Birtley the European manufacturing centre for hydraulic excavators, and it remains the Japanese company's only facility in Europe devoted solely to manufacturing.

Komatsu is now the largest hydraulic excavator producer in the UK, and with annual sales of nearly £100m it believes it is on the way to being the largest in Europe. It exports around 70 per cent of its output of around 2,000 units a year.

The Birtley plant has become an integral part of Komatsu's European operations. Until a few days ago, it produced a mixture of excavators and wheeled loaders, but production of the latter has gradually been transferred to Hanomag in Germany, which has been controlled by Komatsu since late 1989.

This will allow Komatsu to expand its range of excavators produced at Birtley. The company makes six basic machines in the 12 to 30-tonnes class and offers 16 variations on each product.

Mr Saichi Etchuya, Komatsu UK's managing director, says the company chose the north-east as its home for its "outstanding combination of *skilled labour, available* resources and excellent communication links with the rest of Britain and Europe". The company claims it is the first Japanese group in the north-east to receive the export award.

Komatsu's approach to running Birtley has been to adopt "the best of both worlds" by integrating Japanese management practices with UK resources. Local content of its machines is around 70 per cent.

This strategy, along with increasing steps towards autonomous, localised management, has enabled Komatsu UK to win recognition as a "UK company". In October 1988 it was accepted as a full manufacturing member of the UK Federation of Manufacturers of Construction Equipment and Cranes, and hence of the Committee for European Construction Equipment.

Mr Etchuya says the award "clearly recognises the contribution made by all of our employees and the efforts of our sales and distribution outlets".

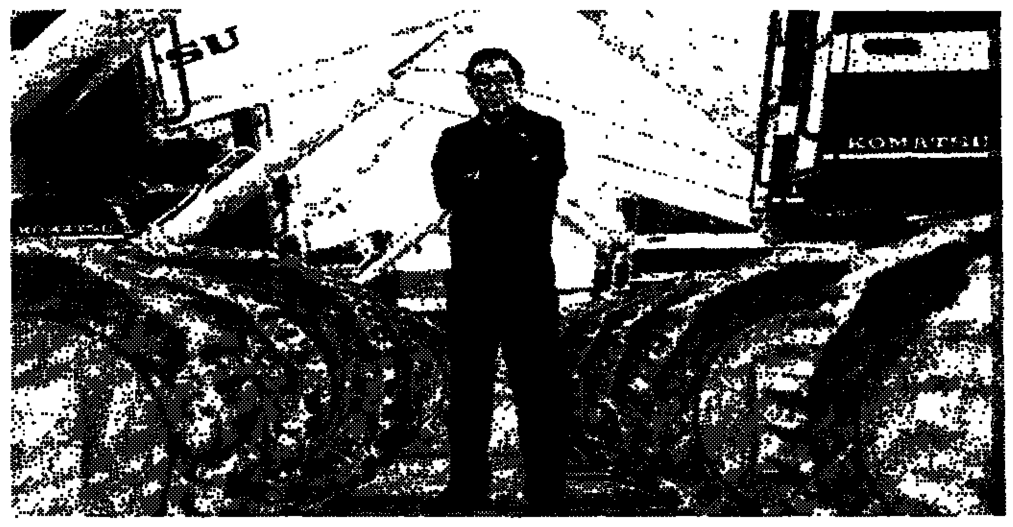
Employment at the plant has been fairly stable in recent months at 450, which compares with *an earlier target* of 370.

The award comes at a testing time for Komatsu and its rivals in the construction equipment industry. Producers are facing *a severe fall in demand in the* UK, but this has been offset by extremely buoyant conditions in Germany, prompted by reunification.

The decision by Komatsu and other Japanese producers to set up plants in Europe may have been forced upon them, but the environment in the early 1990s is very *different* from that of the mid-1980s. Around 85 per cent of Japanese excavators sold in Europe are produced there too, mainly by Komatsu at Birtley and a Fiat/Hitachi joint venture in Italy.

And the anti-dumping duties, imposed for a five-year period, expired quietly last year.

Andrew Baxter



Adopted ground: Saichi Etchuya says Komatsu chose Tyneside for its labour skills

BALLANTYNE

Image change extracted cash from cashmere

ONE of the most famous names in Scottish knitwear. Ballantyne is based in the little town of Innerleithen, in a fold of the hills by the River Tweed in the Borders. For years it produced smart sporting attire under the name Ballantyne Sportswear.

But two years ago its image and products were dramatically changed. "Ballantyne Sportswear conjured up a picture of jogging suits and sneakers, despite its use of cashmere," says managing director Mr George Peden. "Ballantyne really should be about cashmere."

The company is now known as Ballantyne Cashmere and has a completely new corporate image, designed by the Mayfair design consultants Landor Associates. Mr Peden, who formerly ran Barrie – like Ballantyne, a knitwear subsidiary of the Edinburgh-based Dawson International – called in leading fashion designers including Alastair Blair and Oscar de la Renta to create a completely new line of cashmere clothes.

The new range included sports jackets, dressing gowns and blazers, in contrast to the classic V-neck pullovers of the past. The new ranges, says Mr Peden, have been well received and he believes the company's image change has succeeded.

Ballantyne has always exported a substantial amount of its turnover. "We export about 85 per cent of what we make," he says, while much of what the company sells in Britain is bought by overseas visitors. Turnover is now around £27m a year, compared with £25m two years ago.

Mr Peden believes his company's Queen's Award is for a consistently high export performance, rather than a spurt in overseas sales.

Ballantyne's change of strategy was, in part, a response to difficult times in the cashmere industry. In common with other knitwear companies, cashmere makers were affected by changing fashions as people opted for woven rather than knitted garments.

The price of raw cashmere soared by about 50 per cent in two years as China, where most cashmere comes from, allowed individual farmers to market their own produce – but the quality of Chinese output became highly variable. The decision to upgrade the design of Ballantyne's products reflected the belief that if people were to pay high prices for cashmere, it needed to be very special.

"Textiles are still going through a difficult time but if we hadn't updated our lines and our image, it would have been very hard for us", says Mr Peden.

An important part of his strategy has been further to differentiate the Ballantyne brand. Part of this has been done by creating dedicated Ballantyne shops: the first opened in London's Bond Street last April and new shops will open in Paris, New York and Tokyo.

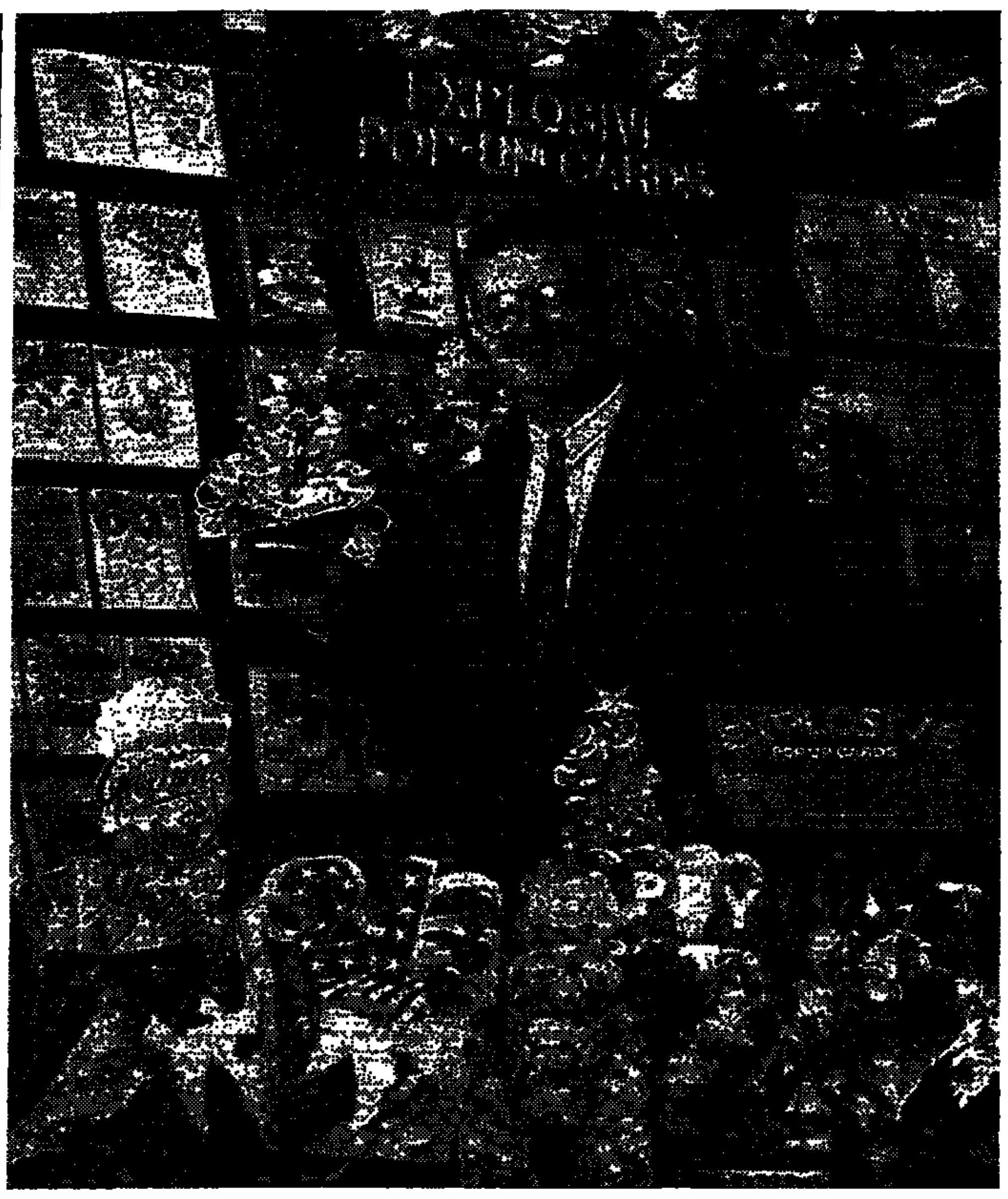
Ballantyne's biggest export market is Italy, followed by Switzerland, Japan, France, the US and Germany.

Unlike many other Borders knitwear companies, Ballantyne has had no short-time working or redundancies in recent years, although the workforce has declined from 750 in 1989 to 670 today due to natural wastage under a productivity improvement programme. The bulk of the workforce is in an old-fashioned building at Innerleithen with the rest at Bonnyrigg near Edinburgh.

Dawson International recently reached a new agreement with China which should led to stabilising the price and improving the quality of Chinese cashmere.

Mr Peden says that knitwear is still going through difficult days. "A lot of our sales are to tourists and many of them stopped flying because of the Gulf war," he says, though he adds that the situation is beginning to pick up.

James Buxton



Ream realm: Rod Shrager displays Second Nature's elaborate pop-ups

SECOND NATURE

Happy occasion for greetings card maker

Mr Rod Schrager's business maxim is "focus at the top end of the market". In 10 years he has turned a chance holiday encounter into a successful greetings cards company using just that principle.

"A Queen's Award puts the seal on our success in building up a British presence in an international industry", he says. His company Second Nature, a publisher of quality cards and Christmas decorations, has a projected turnover of £7m this year, and expects to sell more than 1m cards a month – one quarter of which will be outside the UK.

By contrast, most greetings card manufacturers do not export very much, he says. The reason is that they focus on the bottom end of the market. Low-priced cards can easily be produced locally, and some designs – including those with a particular country's humour – often do not easily translate to overseas markets.

He points to three segments in the greetings card industry: those bought for associates; for family and close friends; and "the one or two beautiful, more expensive cards for those you are closest to". Second Nature focuses on the latter two categories, with a series of elaborate cards at higher prices.

The company was launched in 1981 after Zimbabwean-born Mr Schrager, who was then working as an accountant for Peat Marwick in the UK, went on holiday to the US. He met a Californian designer who asked him to try to sell some of his greetings cards with floral patterns in Britain. Keeping up the theme, he also suggested a name: Second Nature.

Schrager was surprised to find British retailers greatly interested, and on an investment of £3,000 of his own

'There was a definite need for a contemporary card with a higher price'

money, he started to produce the cards himself, with designs under license from the US.

His big break came four years ago, when he began to sell pop-up cards. The pop-up was originally invented by the Victorians and then faded out in card designs, although a number of books using the same principle were beginning to emerge in the early 1980s.

"I just brought the idea back up to date," he says. "We wanted an unusual design, but one we could produce commercially. It was quite a bold move then." Second Nature began selling cards at £2.50, at a time when the average card price was about 65p. "But there was a definite need for a contemporary card with a higher price."

Now the company has a total portfolio of some 800 cards. Half a dozen of the designs have even been patented, and many use sophisticated paper engineering techniques.

The cards are still entirely made in the UK, using labour-intensive hand assembly that can take up to three minutes for each card. The company searched overseas to see if they could be produced more cheaply, but the difference in costs was negligible.

None of the company's 65 staff are involved directly in production, however. "I don't believe it's good to vertically integrate," says Schrager. "By contracting out all our assembly work, we can stay on top of innovation and creativity."

The focus on higher-end cards also means that the company's business is less seasonal than for many manufacturers. Nevertheless, Second Nature has launched high quality Christmas decorations using similar sophisticated designs.

In two weeks' time, representatives from the company will be anxiously sitting in New York's Waldorf Astoria hotel. They have 11 nominations for the "Louie awards" – named after Louis Prang, inventor of US greetings cards. But it will be hard to improve on last year, when they were the first company outside North America to win "Card of the Year".

Andrew Jack

REDLAND

A slate substitute for weather-beaten roofs

REDLAND, the world's largest tile manufacturer, is best known for its market leading concrete tiles. It has recently been building on its worldwide strength to increase output of other types of tiles, notably clay tiles which command better profit margins.

Last year the group made pre-tax profits of £245m – only £5.2m lower than in 1989 in spite of a deep downturn in UK commercial and residential construction. The group's strengths lie in its geographical spread of businesses together with a wide range of roofing products which enable it to tap different areas of demand when markets are in recession. The development of new products to keep up with changing tastes is essential if the group is to sustain its position in the roofing market.

The Queen's Award for technical achievement was made to three Redland subsidiaries which together developed a high strength, lightweight, composite tile which looks like slate but is cheaper and easier to use. The companies have replicated a building product which took the earth millions of years to make, says Redland.

Redland Roof Tiles, the UK tile manufacturing division, Redland Engineering and Redland Technology share the award for the Cambrian slate tile, a combination of 65 per cent natural slate, stone, resin and glass fibre reinforcement. Redland describes the tile as "having an authentic appearance of genuine quarried slate, whilst being lightweight, quick and simple to use, and offering the cost benefits of precisely controlled high speed production. The product is approximately half the laid price of Welsh slate."

The tile was launched on the British market in 1985 and now holds about 10 per cent of the UK slate market. Its technical performance since the launch persuaded Redland to give it a 60-year guarantee – at least 10 years longer than that on any other man-made slate, it says.

The tile comes with a three-point fixing system to cope with high winds. Demand for the product has been particularly high in areas where strong winds, heavy rainfall and slate roofs are traditional.

The development of the Cambrian tile dates back to the late 1970s when other slate "look-alikes", generally made of fibre cement, started to replace more costly natural slate. Redland Roof Tiles set out to develop an alternative and during the early 1980s Redland Engineering came up with the product prototypes as well as the tooling and plant for its manufacture. Redland Technology then conducted tests for weather resistance at its wind tunnel in Horsham, West Sussex.

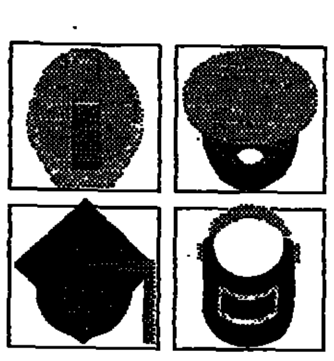
In 1985 a factory for the Cambrian slates was built at Rassau in south Wales, which has since added further slate lines and a fittings section.

Andrew Taylor

MANAGEMENT

Paul Cheeseright considers the progress made by one of the smaller councils – North Nottinghamshire – in its first year

A Tec in microcosm



TRAINING ON TRIAL

The board met for 48 hours. It looked at what it had been doing, marked itself out of five on each sector of its activity and came to an average of about 2.5. It peered into the next year.

This was not a major international group brainstorming its way out of recession, but the North Nottinghamshire Training and Enterprise Council, one of the smallest of the 82 Tecs set up by the UK government to nudge national training practice into line with business needs and to foster local economic growth.

North Notts was the first Tec off the mark in the East Midlands, starting work a year ago in a flurry of local publicity. But the board, designed, as in all Tecs, to be the instrument for private sector supervision of training, remains incomplete. There was one vacancy for a representative of the leisure/tourism industry, before the embarrassing resignation last November of Anthony Darbyshire, the then chairman, when his group called in the receiver.

Composition of the board reflects both the government's preference for the private sector, and the structure of the north Nottinghamshire economy. The biggest employer is the local health authority. British Coal is another leading employer. Both are represented on the board.

Private sector members come from medium-sized companies, for north Nottinghamshire is an area of small and medium businesses: pockets of high technology industry and some textiles but an economy which has been based on agriculture and a slimmer mining industry.

Tony Wilkinson, now the chairman, comes from one of these medium-sized companies – a hardware store chain bearing his name, with an annual turnover of about £120m.

For Wilkinson and his private sector colleagues, handling public sector money demands a new mode of thinking. The fact that the UK government is reducing spending on training is frustrating, but, beyond that, there is concern that discussion time for the Tec budget is limited, and that government funding goes in blocks of 12 months.

In the Wilkinson business, budget discussions for any financial year start five months before. With the Tecs, "there is just a few weeks between discussions and the money arriving," Wilkinson notes, and then, at the end of the year, "if there is a surplus, all the money goes back." This, as he puts it, "is an unusual concept for business."

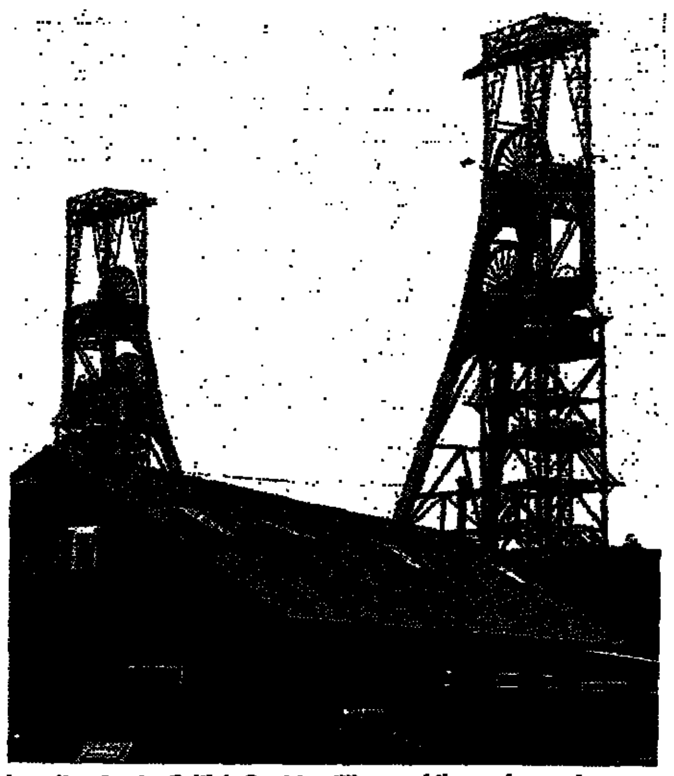
By February, North Notts had an indicative budget for the financial year beginning in April, but nothing more. It remained in negotiations with Whitehall about the treatment of allowances, hitherto administered by the Employment Service, for those engaged in what North Notts calls adult training, but is usually known as employment training and aimed at the unemployed.

If it can obtain control of these allowances then its 1991-92 budget will rise. If not, then it will show a slight increase in money terms over the previous year. That is, it would decline in real terms.

The amounts of money are not vast because North Notts is one of the smaller Tecs. In 1990-91, the government grant was £8m for youth training, £3m for employment training and £1.5m for business support.

These proportions demonstrate how, in financial terms, the "enterprise" element of "training and enterprise" is a minor addition to what the government had in any case been spending on training through the Training Agency. North Notts in this respect is typical of the Tecs nationwide.

But it is different from some and will feel the effects of this minor addition more than many because of the emphasis laid on "enterprise" in its corporate plan. There is a similar emphasis in the plans of the Lincolnshire Tec, while the Birmingham Tec, for example, seems to be putting its stress on the "training" element.



In spite of cuts, British Coal is still one of the main employers in the North Nottinghamshire area

The economy of North Nottinghamshire is such that without the enterprise there will not be jobs for the beneficiaries of training. Unemployment runs up to 25 per cent in some districts. Hence, the injunction in the Tec corporate plan that investment in training opens the way for improved business performance and thus to improve the survival rate of small companies.

The small business support budget and the 5 per cent limitation on the amount which can be switched from one budget heading to another mean, however, that the main burden of fostering the enterprise will have to come from company resources.

North Notts is trying to win company support through a membership scheme of the Tec. The target is 200 members by June; so far it is 87. Membership is conditional on signing a code of practice which states, inter alia, that "every employer should have a clear but flexible plan which sets out objectives" and that "business plans should consider how employees will contribute to the plan and specify the arrangements for meeting their development needs".

This notion of the Tec encouraging companies to help themselves is followed through in the plans for a new business centre, where the Tec has aligned its ideas with proposals along broadly the same lines from the Mansfield District Council. Such a centre, which would provide technological and business advice facilities, would be open to companies only if they are making provision for training and have a business plan. On the steps taken towards the formation of the centre, the Tec board gave itself two out of five.

Such initiatives, although likely to bear long-term fruit rather than have an immediate impact on companies wrestling with recession, are the concomitant of the efforts to provide a better trained and educated workforce. The focus of these efforts, in budgetary terms, is youth training. In the North Notts area, 80 per cent of the places for which the Tec has signed training contracts are occupied and 34 per cent – more than double the figure at March 1990 – of the trainees are in employment.

Since last June, no contracts with the training institutions have been signed unless the institution has plans to raise the quality of its service. (Tec Board mark: four out of five.) But there are two catches here, and both of them have national implications as other Tecs face the same problems.

The first is that North Notts has not yet been able to establish a mechanism of evaluating those who provide training, because it is not immediately obvious who should do the evaluating. It could be they Tec itself. Alternatively, consultants could be hired. Either way there would be an extra burden on a straitened budget.

The second is that the measurement of quality is the number of national vocation qualifications which are granted to those taking the courses. The difficulty here is that the framework of national vocation qualifications has not been fully established. "You can't ask someone to deliver something which is not deliverable," Wilkinson commented.

Against the background of these difficulties, it is not surprising that the Tec board gave itself a mark of two out of five for the action, as the corporate plan put it, "to build relationships and reach agreement with industry training organisations on the establishment and monitoring of standards locally."

Even less satisfying for the TEC has been the question of employment training. Just a quarter of those going through the system end up with jobs. Of those referred to training only 5 per cent end up with jobs. "This is abysmal if we are honest with ourselves. We need to do something radical," says Pat Richards, the North Notts Tec chief executive, who has worked for most of her life in the Department of Employment.

Outside the Tec, among those which provide training such as the chamber of commerce, there is some confusion about local policy on employment training. The Tec had initially given emphasis to directing the training towards the grant of national vocation qualifications.

Now it appears more anxious that those who take the training have a job. But the jobs are not available.

All of this suggests that relations between the Tec and those who provide training – that is those who obtain contracts to undertake youth and employment training schemes – are in a state of flux. But the numbers are relatively small.

The North Notts Tec deals with some 30 training organisations. In the Birmingham area the number of organisations providing training for the financial-clerical sector alone is three times that.

Two consequences flow from the small number of training organisations involved in North Notts.

First, while the training contracts absorb the greater part of the Tec funds, there should be few accounting problems. Spending can be controlled centrally.

Accounting at Tecs generally has become the subject of scrutiny following expressions of Whitehall concern that some Tecs had lost control of money spent on training contracts. North Notts has taken consultancy advice from Price Waterhouse on its business planning.

The second is that the Tec can organise its activities simply along geographical lines, as does Lincolnshire, but in contrast to Birmingham Tec where there is an attempt to establish a series of sectoral agreements between employers and training organisations.

The simplicity of the organisation means that there is no interposing layer of control between the Tec itself, on one hand, and the employers and training organisations, on the other.

Indeed, in the long run, the great strength of the North Notts Tec may be that, for the first time in a community that is more tightly knit than that of a conurbation, it is the instrument for bringing together all the players in the game of training and enterprise: the employers and unions, the training organisations and the local authorities.

Previous articles in this series were published on November 28, December 3, 10, January 2, 7, February 4 and March 18.

BULLETIN BOARD

■ The Association of British Travel Agents (ABTA) has launched a campaign to educate its 7,500 members about National Vocational Qualifications, **writes Lisa Wood.**

"Eventually the travel industry will have a range of NVQs for all the travel and tourism related sectors," says the ABTA National Training Board; it has assessed and set standards for the NVQs and has incorporated the Certificate of Travel Agents Competency (COTAC), the original .:sic educational qualifications for the industry.

No qualifications are necessary to become a travel agent although ABTA members must have one individual in each branch who has a COTAC qualification plus 18 months' relevant experience.

Take-up of COTAC qualifications traditionally has been "fairly low" according to the ABTA training board, with personality and ability to sell to travellers considered by many employers to be more important than qualifications. The travel industry is, however, the seventh largest provider of Youth Training (YT), funding of which is increasingly becoming dependent on the acquisition of NVQs.

The range of NVQs for the travel industry include:

- Level 2 for travel agents which takes in COTAC 1 (Air and General) together with Travel Agency Tasks from June 1991.
- Level 3 for travel agents which takes in COTAC 2 (Air and General) together with Supervisory Skills from June.
- Level 4 for agency managers which takes in the Certificate of Travel Agency Management plus suitable experience.

The NTB is currently working on an NVQ level 1 qualification for entrants to the travel industry.

■ An extra £16m has been allocated by the government for intensive occupational training in high technology.

This sum will be used as part of the Department of Employment's programme of High Technology National Training which forms part of the Employment Training.

The courses of intensive professional level training leading to Higher National Certificate or postgraduate level qualifications will be run at Colleges of Further Education and Higher Education Institutions throughout the UK.

The Department of Employment says the courses would provide opportunities for people who would otherwise be unemployed. The courses selected are intended to meet a skill shortage, lead to vocational qualifications at HNC up to postgraduate level and include an industrial placement with an employer.

The £16m will fund 327 courses and provide 5,100 training places. According to Robert Jackson, the employment minister, "these courses will play a vital role in the government's strategy to provide excellent opportunities for unemployed people to obtain high level qualifications."

■ The British Institute of Innkeeping is hoping that magistrates will take greater account of training and qualifications before they grant licences to potential new publicans.

The move, endorsed by the governing council of the Institute, is the first clear call by the licensed trade's professional body for increased attention to be given to standards of entry.

The Institute, with its series of induction, qualifying and membership examinations said it had established a proper infrastructure for progressive professional career development. It said that with the running of public houses increasingly acknowledged as a complicated balancing act of commercial business pressures and recognised social responsibilities, the Institute was keen to see that improved standards were both encouraged and fostered through minimum training requirements.

■ A significant number of former Training Agency staff have either rejected offers to work for Scottish Enterprise (SE), the new body which, with local enterprise companies (Lecs), is responsible for training and enterprise development in Scotland, **writes James Buxton.**

SE, which came into existence this month, has replaced the Scottish Development Agency and the Training Agency (TA) as the parent body of 13 new local enterprise companies in Scotland outside the Highlands. It has no equivalent among the Tecs in England.

Of the 701 TA staff in Scotland who were offered positions with SE, 482 have accepted posts either with the parent body or the Lecs, either leaving the civil service or joining SE on secondment. Some 197 have refused to join SE and a further 22 are still undecided. Of 641 former SDA staff, 600 have accepted jobs with SE or Lecs.

TA staff are offered the choice of leaving the civil service for SE or joining SE on a three-year secondment, an arrangement which some Lec chief executives have criticised. "It was a sensible arrangement for TA staff joining Tecs in England where there is no central body like SE," says one, "but here it just complicates matters creating two categories of staff."

The SE core should have an establishment of between 410 and 420 people but 60-70 posts are still unfilled.

CONSTRUCTION CONTRACTS

Wormwood Scrubs scheme

LAING LONDON has been selected to carry out £41m worth of redevelopment work at Wormwood Scubs Prison and the National Hospital for Neurology and Neurosurgery.

The Home Office has awarded a £27m contract to build three blocks at the prison in Hammersmith to provide hospital accommodation, kitchens, a sports hall, gymnasium, educational facilities and cells.

Major structural alterations and refurbishment will be carried out at the northern end of the prison to the four halls.

External works will include reconstruction of the perimeter wall and security fence and the project should be completed in October 1993.

At the National Hospital for Neurology and Neurosurgery, Queen Square, Camden, the company will be carrying out a £14.1m contract for phase 1B of a redevelopment programme.

A seven-storey building is to be constructed to provide 10,570 sq metres of hospital accommodation. The first three floors will house diagnostic and treatment facilities including four operating theatres, outpatients and intensive care.

The three upper floors will be divided into six wards providing a total of 146 beds. Catering and pharmacy will be located on the lower ground floor.

The two-year construction programme is due to begin in May.

* * *

DRAKE & SCULL ENGINEERING has recently secured two building engineering services contracts. The first is a £5m mechanical and electrical services installation at the Health & Safety Executive offices and laboratories in Sheffield.

The second is an electrical installation contract for the "Spindles" shopping development at Oldham, valued at £2.2m.

Offices project in Belgravia

MOWLEM BUILDING has been awarded a £46.1m contract by Land Securities for a seven-storey block at 33 Grosvenor Place, Belgravia, SW1.

Construction work started last month on the contract following the completion of a six month enabling works contract also carried out by Mowlem. The enabling works involved the demolition of the 1950s building and maintaining the five-storey facade.

The main contract is for a 300,000 sq ft steel-framed building. Steelwork erection has started and is connected onto brackets that have been welded to the facade during the demolition contract.

A central feature of the design of the building is the bank of six scenic lifts within the main atrium. The external windows are triple glazed and the building is fully air conditioned. Completion of the project is scheduled for August 1992.

The entire building has been pre-let to Amerada Hess. This will become the company's European headquarters when it moves in sometime before the end of 1992.

Training facility for British Telecom

A £25m contract has been awarded to **WIMPEY CONSTRUCTION**'s eastern region to build a residential training centre *(pictured)* for British Telecom at Kents Hill in Milton Keynes. Eight two-storey buildings will be constructed during the two-year project, creating more than 241,000 sq ft of accommodation on the eight hectare site.

In addition to housing BT's training facilities, the development will also provide conference, restaurant, office and sports amenities together with extensive residential accommodation.

Architect RMJM has designed the buildings using traditional brickwork walls with generous over-hanging eaves to the slated pitched roofs. When the project is completed, the densely landscaped sloping site will incorporate some 3,800 trees and will provide parking for more than 800 cars.

Wimpey's work gets under way on site at the end of April with quantity surveyor Beard Dove and project manager Bucknell Austin acting in association with RMJM.

£60m orders awarded to Lovell Group

Companies in the **LOVELL GROUP** have recently obtained contracts worth in excess of £60m.

Lovell Construction is to build seven-storey offices and six-storey residential accommodation in Harewood Avenue, London, NW1, for Independent Estates at a cost of £15.9m.

The same company will also carry out: a £2.9m housing contract for Crawley Borough Council at Creasys Drive, Crawley; a £2.8m industrial contract for Commercial Union Properties UK at Cressex, High Wycombe; £2.7m of fitting out at Southwood Summit Centre, Farnborough, Hants for Mount Manor Properties; and for Percy Bilton, a £2.07m contract to create industrial units at the Bilton Centre, Leatherhead, Surrey.

Lovell Partnerships is to build 303 homes in a £10m partnership with Stafford BC and Bradford & Northern HA.

Other schemes include: £2.84m for Orbit HA at Brownsover, Rugby; £884,000 with the North Housing HA and Amber Valley DC at Langley Mill, Heanor, Derbyshire; and £850,000 for Walbrook Housing Association in partnership with Bolsover DC and P.R.O.B.E.

Bullock Construction has started £2.5m worth of work on site at Preston, Salford and Burton-upon-Trent, with a futher three contracts worth £3.5m to begin shortly in Manchester, Worcester and Birmingham. Clients include British Gas and Swan National Rentals, as well as local authorities.

Finally, Walter Lilley & Co has been awarded a £4.2m fast-track fitting out at Gresham Street, London EC2 for the Association of British Insurers and a £4.3m contract has been received for the construction of a multi-storey car park at Bowling Green Lane, London EC1 for National Car Parks.

THE WEEK AHEAD

ECONOMICS

UK markets focus on trade figures

AFTER last week's grisly unemployment figures, the UK markets should be focusing on tomorrow's trade and current account data for March.

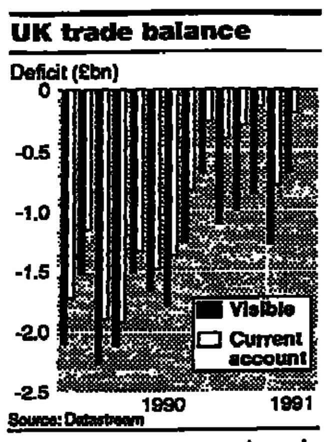
Last time round, sharp re-estimates of the UK recorded trade inflows on the invisibles produced a smallish deficit of just £192m in February.

Economists do not expect to be so pleasantly surprised by the March figures, which should more closely reflect the underlying trend in imports. This is suffering from slower world trade growth and the weak level of sterling against the dollar.

March retail sales are today expected to rise by 0.5 per cent - primarily predicted on the back of the recent cuts in interest rates to stimulate the economy.

Trade figures are out in France on Wednesday, with the markets expecting a Ffr4bn deficit. The annual French unemployment rate is likely to rise to 9.3 per cent in March.

The UK data is bound to be recessionary, but recent evidence of producer price inflation and average earnings is likely to slow the pace of interest rate reductions.



In the US, durable goods and shipments orders out tomorrow and gross national product on Friday should give further clues as to the depth of the current downturn. So will retail sales and wholesale trade figures in Canada – another recessionary Anglo-Saxon economy.

Other important events and statistics, with median market forecasts from MMS international, the financial research company, include:

Today: UK, CBI/FT survey of the distributive trades, provisional retail sales for March (0.5 per cent). Australia, housing finance for February (3 per cent).

Tomorrow: Canada, 30-year government bond auction. US, durable goods (0.1 per cent) and shipments orders. UK, visible trade balance (down £800m) and current account (down £300m) for March. Germany, Q3 and Q4 gross domestic product. Japan, personal income and expenditure for February. Canada, retail sales (flat) and wholesale trade for February.

Wednesday: US, International Monetary Fund publishes world economic outlook report, auto sales (6m). France, 1990 GNP revision, trade balance (Ffr minus 4bn). Japan, second quarter economic outlook. UK, provisional constructional orders for February. Bank of England holds auction for £1.2bn 10 per cent Conversion stock due 1996.

Thursday: US, import and export price index for March and Q1, existing home sales and first quarter housing vacancies, money supply, initial claims. UK, building society new commitments (£3bn). France, unemployment rate for March (9.3 per cent). Japan, retail sales for March (4.9 per cent). Switzerland, Basle and Geneva consumer price indices for April.

Friday: US, officials meet to prepare IMF/World Bank spring meetings, first quarter advance GNP (minus 2.5 per cent) and deflator (4.1 per cent) fourth quarter after-tax profits (1 per cent) bank credit for March, commercial and industrial loans. Japan, March CPI (3.8 per cent) unemployment rate, industrial production (down 0.2 per cent).

During the week: Germany, April cost of living (0.3 per cent), March import prices (0.5 per cent), Japan trade balance, and current account, Italy CPI for April and trade balance for March.

Rachel Johnson

RESULTS DUE

ICI's first quarter pre-tax profits, reported on Thursday, will be far below the £414m the chemical giant made in the first quarter of 1990. But with the petrochemical margins rising temporarily in the first three months of this year, the profits are unlikely to be as low as the £84m recorded in the final quarter of 1990. The outcome is likely to be somewhere in the £140m – £180m region.

Ratners Group, the jewellery chain which has been plagued by doubters since it bought Kay Jewelers in the US is due to report its annual results today.

The flamboyant Gerald Ratner is likely to provide a vibrant defence of the company's long-term strategy in expanding in the US in spite of announcing a slight fall in pre-tax profits from £121m to £115m.

But unusually for Mr Ratner, his comments will probably concentrate more on the sober measures the company is taking to control costs than on the latest jewellery craze.

A clutch of fashion retailers are also likely to show the effects of difficult trading. On Wednesday, Laura Ashley, the fashion and furnishings company, will report annual losses of up to £8m as it struggles to combat its difficulties in its US operations.

Meanwhile fellow retailer, Etam, will on Thursday produce only meagre profits of £8m although it is thought the company may have seen some more encouraging trading this year.

Tarmac, Britain's biggest housebuilder, is likely to show tomorrow a steep drop in pre-tax profits for 1990 to around £180m – £190m from £377m a year earlier. At the interim stage, the deep recession in construction had already marked it down some 36 per cent. It was a disappointing setback for the group which was one of the fastest growing in the UK construction industry in the 1980s.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Abbey National, Grosvenor House Hotel, Park Lane, W., 11.00
Capita, Hill Samuel Bank, 110 Wood Street, E.C., 10.30
Grovewood Securities, 53 Mount Street, W., 9.00
Scottish Eastern Inv. Trust, 29 Charlotte Square, Edinburgh, 12.00
Wilkes (James), The Moat House Hotel, Chesterfield Road South, Sheffield, 12.00
BOARD MEETINGS:
Finals:
Boot (Henry)
Conrad Continental
Farnell Electronics
How
Kingston Oil & Gas
Ptarmigan
Ratners
Travis Perkins
Interims:
Clydesdale Inv. Trust
Jakarta Fund
Synapse Computer Servs.

■ TOMMOROW
COMPANY MEETINGS:
Brown & Jackson, Battle Bridge House, 300 Grays Inn Road, W., 10.00
Cityvision, 3/5 Norwich Street, E.C., 12.00
Dunedin Income Growth Trust, 25 Ravelston Terrace, Edinburgh, 12.00
Global Group, 7 Birchin Lane, E.C., 11.00
LASMO, Barbican Centre, E.C., 11.30
National Westminster Bank, 15 Bishopsgate, E.C., 11.00
Pacific Assets Trust, 1 Charlotte Square, Edinburgh, 12.30
Second Market Inv., Norfolk House, 13 Southampton Place, W., 10.00
Sumit, Davies House, 1 Sun Street, E.C., 2.45
BOARD MEETINGS:
Finals:
Bridgend
British Fittings
Cannon Street Invs.
Edinburgh Inv. Trust
FR
Fields (Mrs.)
London American Ventures
QS Hldgs.
Tarmac
Tyne Tees Television
Ward
Interims:
Allied London Props.
Cosalt
Keystone Inv.
McCarthy & Stone
McKechnie
St. Ives

■ WEDNESDAY APRIL 24
COMPANY MEETINGS:
Ansbacher (Henry), Priory House, One Mitre Square, E.C., 11.45
Beradin Hldgs., Tubs Hill House, London Road, Sevenoaks, Kent, 11.30
Campari Intl., Intl. House, Priestley Way, Staples Corner, W., 12.00
Carlisle Group, Howard Hotel, Temple Place, W., 11.00
Courtaulds Textiles, London Marriot Hotel, Duke Street, W., 10.45
Delta, The Waldorf Hotel, Aldwych, W., 12.00
Expamet Intl., The Royal Automobile Club, 89 Pall Mall, S.W., 12.00
Hall Engineering, Telford Moat House, Forgegate, Telford Centre, Telford, Shropshire, 10.30
Lloyds Bank, 71 Lombard Street, E.C., 3.00
Manders, Goldthorn Hotel, Penn Road, Wolverhampton, 12.00
Memec, Chartered Accountants Hall, Moorgate Place, E.C., 10.30
More O'Ferrall, The Cafe Royal, Regent Street, W., 10.00
Partridge Fine Arts, 144-146 New Bond Street, W., 12.00
Williams Hldgs., The Donington Thistle Hotel, Castle Donington, Derby, 12.00
BOARD MEETINGS:
Finals:
Austin Reed
British Dredging
Brixton Estate
Ci
Dencora
Hopkinsons
Sovereign Oil & Gas
World of Leather
Interims:
Haemocell
Jessups
Majedie Inv.
Shani

■ THURSDAY APRIL 25
COMPANY MEETINGS:
Automated Security, 259 City Road, E.C., 12.00
Barclays Bank, 30 Threadneedle Street, E.C., 2.30
Bensons Crisps, Clifton Arms Hotel, Lytham St.Annes Lancashire, 12.00
British Aerospace, London Marriot Hotel, Duke Street, W., 3.00
Calor, British Council of Shipping, St. Mary Axe, E.C., 11.30
Cooper (Alan), Burnley Road, Todmorden, Lancashire, 12.30
Doeflex, 56 Holmethorpe Avenue, Redhill, 12.00
Fife Indmar, 115 Hanover Street, Edinburgh, 12.00
Fired Earth Tiles, Hopcrofts Holt Hotel, Steeple Aston, Oxfordshire, 12.00
Isle of Man Steam Packet, Castle Mona Hotel, Douglas, 2.30
Kalon, Huddersfield Road, Birstall, Batley, 11.30
Lloyds Abbey Life, Inn on the Park, Hamilton Place, Park Lane, W., 11.30
Mayborn, Dylon House, Worsley Bridge Road, Lower Sydenham, S.E., 10.30
Microvitec, Stakis Norfolk Gardens Hotel, Bradford, 12.00
Padang Senang, Tubs Hill House, London Road, Sevenoaks, Kent, 11.00
Reuters, The Sedgwick Centre, E.C., 11.30
Throgmorton USM Trust, 155 Bishopsgate, E.C., 12.30
Try Group, Cowley Business Park, Cowley, Uxbridge, Middlesex, 12.00
Vickers, Millbank Tower, Millbank, S.W., 12.00
BOARD MEETINGS:
Finals:
Acorn Computer
Fleming Universal Inv. Trust
Folkes
Holt (Joseph)
Liberty
Plastiseal
Ryan Hotels
Securities Trust of Scotland
Interims:
Gleeson (M.J.)
Govett Strategic Inv. Trust
Kalamazoo

■ FRIDAY APRIL 26
COMPANY MEETINGS:
Baltic, Brown's Hotel, Dover Street, W., 11.30
Hillsdown, 128 Swiss Cottage, King Henry's Road, W., 2.00
Imperial Chemical Inds., Royal Lancaster Hotel, Lancaster Gate, W., 11.00
Macallan-Glenlivet, The Macallan Distillery, Craigellachie, Banffshire, 12.00
Pickwick, Brewers' Hall, Aldermanbury Square, E.C., 11.30
Ransomes, Post House Hotel, London Road, Ipswich, 12.00
Transport Development, Chartered Accountants Hall, Moorgate Place, E.C., 12.00
Wimpey (George), Savoy Hotel, W., 12.00
BOARD MEETINGS:
Finals:
Clayton, Son
Downiebrae
Expedier
Slingsby (H.C.)
Usborne
Walker (J.O.)
Interims:
British Assets Trust
Investors Capital Trust
National Home Loans
New Frontiers Dev. Trust
TR Far East Inv. Trust

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
AIM 1.5p
Asda Finance 10¾ % Cnv. Cap. Bds. 2005 5.375pc.
Britannia Bldg. Soc. Fltg. Rate Sub. Nts. 2005 £36462.33
European Economic Community 10⅝ % Nts. 1995 5.3125pc.
Hibernian 3.45p
North Surrey Wtr. 7% 3.5p
Do. 3½ % 1.75p
Do. 3½ % (Fmly. 5%) 1.75p
Do. 4.9% A 2.45p
Do. 4.9% B 2.45p
Persimmon 4.85p
Texas Instruments 18cts.

■ TOMORROW
Bank Leumi (UK) 11.5p
Bank of China Fltg. Rate Nts. 1992 $420.24
Christiania Bank OG Kreditkasse Fltg. Rate Sub. Nts. 1997 $429.72
Kleinwort O'seas Inv. Tst. 1.7p
National Westminster Fin. BV Gtd. Fltg. Rate Cap. Nts. 2005 $420.24
Shoprite 5.2p
Tokyo Tatemono 7.4% Bds. 2001 3.7pc.
Do. 7¼ % Bds. 2001 3.625pc.
Woolwich Bldg. Soc. Fltg. Rate Nts. 1995 £174.14

■ WEDNESDAY APRIL 24
Bristol & West Bldg. Soc. Fltg. Rate Nts. 1992 £174.91
Britannia Bldg. Soc. Fltg. Rate Nts. 1996 £349.21
Coronation Syndicate 14cts.
Co-Operative Bank Sub. Fltg. Rate Nts. 2000 £174.91
Dunedin Inc. Growth Tst. 16p
Lloyds Bank Sers. A Var. Rate Sub. Nts. 1998 £364.01
Marubeni Intl. Fin. 7.3% Bds. 1994 3.65pc.

■ THURSDAY APRIL 25
Bankers Tst. New York 83.5cts.
CPC Intl. 55cts.
Conversion 9½ % 2004 4.75pc.
Exchequer 11% 1991 5.5pc.
Five Arrows Chile Fd. Ptg. 30cts.
Gen. Electric 51cts.
ICI 34p
Manchester (City of) 11½ % Red. 2007 5.75pc.
Manufacturers Hanover 47cts.
Murray Inc. Tst. 2.1p
Partridge Fine Arts 1.85p
Serco 7.5p
Tokyo Leasing (UK) 8.665% Nts. 1996 4.3325pc.
Williams Hldgs. 7.25p

■ FRIDAY APRIL 26
Alliance Tst. 27p
Do. 4% Prf. 1.4p
Do. 4¾ % Prf. 1.4875p
Do. 5% Prf. 1.75p
Anglo Amer. Indl. 240cts.
Australia (Commonwealth of) 11⅜ % Ln. 2015 (Br) 5.6875pc.
Do. (Reg) 5.6875pc.
Bank of Nova Scotia 25cts.
Beatrix Mines 39cts.
Beradin Hldgs. 0.45p
Brandon Hire 1.11p
Cons. Plants. Berhad 4sen.
Cornwell Parker 1.8p
Do. A NV 1.8p
Cramphorn 0.53p
Microvitec 0.2p
Pacific Assets Tst. 1.875p
Padang Senang 0.6p
Pilco Hldgs. 3.5p
Do. A 3.5p
Provident Financial 15.5p
Sedgwick 8p
Sinclair Goldsmith 1p
Singapore Para Rubber Est. 1p
TR Pacific Inv. Tst. 0.25p
Takare 0.725p
Throgmorton USM Tst. 3.65p
Trinity Intl. 5.4p
Walker (Thomas) 0.175p

■ SATURDAY APRIL 27
Exchequer 13½ % 1994 6.75pc.
Do. 15% 1997 7.5pc.
Macallan-Glenlivet 0.82p

PARLIAMENTARY DIARY

■ TODAY
Commons: Private members' motions. Coalmining (subsidence) bill, remaining stages. *Motions on the agriculture and forestry financial provisions bill.*
Lords: Representation of the people bill, 3rd reading. *Criminal justice bill*, committee. Motions on legal aid regulations. Foreign corporations bill, second reading.
Select committee: Public accounts – subject, inland revenue issues. Witnesses: Board of Inland Revenue officials (Room 16, 4.30pm).

■ TOMORROW
Commons: Ports bill, remaining stages. Motion on the industrial training levy (engineering board) order.
Lords: Criminal justice bill, committee. Motor vehicles (safety equipment for children) bill, second reading. Local government finance (publicity for auditors reports) bill, second reading.
Committee on opposed private bill: London Underground bill (Room 6, 10.30am).
Severn Bridges bill (Room 20, 10.30am).

■ WEDNESDAY
Commons: Atomic weapons establishment bill, remaining stages. Motion on the broadcasting (restrictions on the holding of licences) order.
Lords: Debate on the growth of unemployment, particularly in the regions. Debate on the role of government in promoting sport. Education (swimming and water safety) bill, second reading.
Select committees: Welsh affairs – subject, the NHS in Wales: elective surgery. Witnesses: Professor Kim McPherson, Dr Nick Black, Dr Myfanwy Morgan (Room 8, 10.15am).
Environment – subject, main estimates for 1991-92 and the DoE annual report 1991. Witnesses: Departmental officials (Room 15, 10.30am).
Severn Bridges bill (Room 20, 10.30 am).
Trade and industry – subject, takeovers and mergers. Witnesses: Sir John Clark. Cadbury Schweppes (Room 21, 10.45 am).
Defence – subject, options *for change*: RAF. Witnesses: MoD officials (Room 16, 10.50am).
Energy – subject, clean coal technology and the coal market after 1993. Witnesses: Powergen plc and National Power plc (Room 18, 11am).
Defence – subject, options for change: Review into naval support. Witnesses: Naval base trade unions (Room 21, 4.15 pm).
Environment – subject, PSA services and DoE property holdings estimates, 1991-92. Witnesses: DoE property holdings officials and PSA officials (Room 16, 4.15pm).
Foreign affairs – subject, events in the Middle East. Witness: Mr Afif Safieh, Palestine Liberation Organisation (Room 8, 4.15 pm).
Public accounts – subject, marine pollution. Witness: Sir Alan Bailey, Department of Transport (Room 15, 4.25 pm).
Transport – subject, EC air transport policy. Witnesses: European Commission officials (Room 17, 4.15pm).
Committee on private opposed bill: London Underground bill (Room 6, 10.30am).

■ THURSDAY
Commons: Natural Heritage (Scotland) bill, remaining stages.
Lords: Child support bill, report. Prayer to annul the social security (overlapping benefits) amendment regulations 1991. Motion on the industrial training levy (engineering board) order 1991.
Severn Bridges bill (Room 20, 10.30am).
Committee on opposed private bill: London Underground bill (Room 6, 10.30am).

■ FRIDAY
Commons: Private member's bill.

TRADE FAIRS, EXHIBITIONS & CONFERENCES

CONFERENCES

APRIL 29&30
World Pulp and Paper
Hotel InterContinental, London
Enquiries: Financial Times Conference Organisation.
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

MAY 1
SummIT'91 CONFERENCE
QEII Centre. A unique gathering of the UK IT industry's top executives revealing future plans and strategies for senior executives of large enterprises, Government and consultancies. Keynote speaker Sir John Harvey-Jones.
Contact: Ian Ross
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081 427 2009 Fax: 081 861 0620
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MAY 9-10
BEYOND THE CRISIS: THE GULF IN THE 1990s
A two day conference convened by The Royal Institute of International Affairs, Chatham House, London.
Enquiries: RIIA Conferences,
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LONDON

MAY 10
LATIN AMERICA. Recovery, Investment & Growth.
Painters' Hall, London. A major international conference on Latin America's economic prospects in association with the Inter-American Development Bank, Canning House and Oxford International Institute. Contact: Lindsey Neil. Tel: 0225 466744, Fax: 0225 442903
LONDON

MAY 14
THE PROFITABLE FORECOURT
1991 Petroleum Retailing Conference.
Cavendish Conference Centre, W1.
Contact: Caroline Little,
Institute of Petroleum.
Tel: 071 636 1004. Fax: 071 255 1472.
LONDON

MAY 18
THE FUTURE OF FUTURES STUDIES IN THE UK. DAY WORKSHOP. Cost £35. Contact Ann King, South Bank Polytechnic Management Centre, Manor House, 58 Clapham Common Northside, London SW4 9RZ
Tel: 071 228 2015 Fax: 071 924 3725
LONDON

MAY 20
Ascertaining the True Value of a Company in a Recessionary Market. Deals with economic and market trends, pricing in current market conditions, theory and principles of *business valuation. The London Press* Centre. Contact: Amanda Wright, Legal Studies & Services Ltd 071-236 4080.
LONDON

MAY 21-23
CD-ROM EUROPE '91. Conference and Exhibition.
Platforms and applications for CD-ROM, CD-ROM XA, CD-I, DVI Technology, and CDTV in business, education and consumer markets. Novotel, Hammersmith, London. Contact: Agestream. Tel: 0733 60535, Fax: 0733 345522.
LONDON

MAY 21 1991
ACTIVITY BASED COST MANAGEMENT THE MISSING LINK TO TOTAL QUALITY CBI/CIMA/DEVELIN & PARTNERS CONFERENCE
Contact: Sandra Aldred, CBI Conferences.
Tel: 071 379 7400. Fax: 071 497 3646
LONDON

MAY 22
LEAN PRODUCTION - CHANGING THE FACE OF MANUFACTURING.
Lean production rather than mass production - the secrets revealed. The seminar will be held at the QEII Conference Centre.
Contact: Louise Jones,
Cardiff Business School.
Tel: 0222 874000 ext 5203.
LONDON

MAY 22
THE INTERNATIONALISATION OF RESEARCH & DEVELOPMENT: A BRITISH-JAPANESE DIALOGUE
Convened by The Japan External Trade Organisation (JETRO) and The Royal Institute of International Affairs (RIIA). Chatham House, London.
Enquiries RIIA Conferences.
Tel: 071 930 2233; Fax: 071 839 3593.
LONDON

MAY 23
DISTRIBUTION SECURITY TODAY
A practical conference on warehouse & transport security problems & preventative measures.
Cranfield Institute of Technology.
Contact: Hilary Keeble, NMHC.
Tel: 0234-750323. Fax: 0234-750875
BEDFORD

MAY 23
THE ENVIRONMENTAL BUSINESS CHALLENGE CONFERENCE.
Others are improving corporate performance through positive responses to environmental issues. Are you? Materials; Manufacturing; Use; Disposal. New European Opportunities
NEC, BIRMINGHAM

MAY 23
THE ENVIRONMENTAL BUSINESS CHALLENGE CONFERENCE.
Speakers: Gonchar (Moscow) von Lersner (Berlin) Delogu (DG11 Brussels) Edmonds; Trippier; Doel; Lyden; McKenzie; Twiney; White. Investigating corporate performance improvement via environment issues. Contact:
David Middleton, Tel: 021 444 2683.
NEC, BIRMINGHAM

MAY 28&29
Transport In Europe - Creating the Infrastructure for the Future
Hotel InterContinental, London
Enquiries: Financial Times Conference Organisation.
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

MAY 30
EUROPEAN MONETARY UNION IN A TURBULENT WORLD ECONOMY.
A One-Day Conference convened by The Association for the Monetary Union of Europe (AMUE) and The Royal Institute of International Affairs (RIIA).
Grosvenor House Hotel, London
Enquiries RIIA Conferences.
Tel: 071 930 2233; Fax: 071 839 3593.
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MAY 30
Corporate Rescues in the 1990's. How to survive the Recession and Profit from Opportunities in the changed Business Environment. The Gloucester Hotel SW7. Small Firm discounts offered.
Contact: Amanda Wright,
Legal Studies & Services Ltd
071-236 4080.
LONDON

JUNE 3
The Reconstruction of Kuwait - How to Secure and Perform Kuwaiti Contracts.
This conference will examine how to obtain, finance, insure and manage Kuwaiti contracts Speakers: the DTI, The British Task Force For Kuwait, ECGD, Int. Lawyers, Bankers, and construction Pro's with local Kuwaiti experience.
Contact: Kate Metcalf,
Legal Studies & Services 071 236 4080
LONDON

JUNE 3
INTERNATIONAL SECURITIES SETTLEMENT & ADMINISTRATION: Towards the Group of 30 and efficiency?
London Press Centre, London EC4.
Contact: Victoria Garvin, IBC Ltd.
Tel: 071 637 4383
LONDON

JUNE 4
ENVIRONMENTAL AUDITING.
Royal Automobile Club, London SW1.
Contact: The Registration Dept.
European Study Conferences.
Tel: 0536 204224
LONDON

JUNE 4
TAURUS AND THE UK SECURITIES MARKET: Towards Implementation.
London Press Centre. London EC4.
Contact: Victoria Garvin, IBC Ltd.
Tel: 071 637 4383.
LONDON

JUNE 5
INTERNATIONAL PERSONAL TAX PLANNING.
Ibis Euston Hotel, London NW1.
Contact: Anne Gamston,
European Study Conferences.
Tel: 0536 204224.
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JUNE 6-7
Cross-Border Joint Ventures - 3rd Annual Conference. The Cost Effective Way to expand in the 1990s. Providing practical advice to industrial, financial and legal advisers who may be about to negotiate a cross-border alliance.
Contact: Amanda Wright
Legal Studies & Services Ltd.
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JULY 9&10
Telecommunications and the European Business Market.
Hotel InterContinental, London
Enquiries: Financial Times Conference Organisation.
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

OVERSEAS

MAY 15-17
ELEDIS '91
Electronic Data Interchange Systems in Focus. Discussing the organisation's national and international strategy, and organisational implications, of the use of international standards and the electronic interchange of data, image and voice. Tel: +39 2 9522102
Fax: +39 2 95343321
MILAN

JUNE 11&12
Aerospace and Commercial Aviation in a Rapidly Changing World
Royal Monceau Hotel, Paris
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PARIS

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JUNE 24&25
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VIENNA

JUNE 27-28
THE 1991 EUROPEAN CORDLESS COMMUNICATIONS CONFERENCE.
A pan-European overview of cordless communications. Contact: CommEd.
Tel: 071 274 8725.
PARIS

SEPTEMBER 11&12
World Motor
Hotel InterContinental, Frankfurt
Enquiries: Financial Times Conference Organisation.
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FRANKFURT

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LEGAL NOTICES

DREXEL BURNHAM LAMBERT SECURITIES LIMITED (IN LIQUIDATION)

NOTICE IS HEREBY GIVEN, pursuant to Section 95 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at Boardroom 125, 20 Farringdon Street, London EC4A 4PP on Monday, the 29th day of April 1991 at 10:00 am, for the purposes mentioned in Section 95 and 98 of the said Act.
Proxy form if applicable, must be lodged at PO Box 430, 20 Farringdon Street, London EC4A 4PP not later than 12 noon on the 26th day of April 1991.
Pursuant to Section 95(2)(d) of the Insolvency Act 1986 creditors are entitled free of charge to such information concerning the affairs of the company as they may reasonably require.
Dated this 17th day of April 1991

CTE Heyward
(Joint Liquidator)

ARCHITECTURE

Our heritage is in a mess

Everyone has a moment of temporary madness from time to time but it is worrying when civil servants seem to be afflicted by a state of mind that is permanently impervious to reasonableness and logic. This, sadly, is the case when it comes to matters concerning what we have come to call "the heritage."

When Mr Michael Heseltine was last secretary of state for the environment (in those halcyon pre-poll tax days), he set about the reorganisation of heritage affairs in order to release another area of activity from government control. His plans, which included the creation of English Heritage – an arm's-length semi-autonomous organisation – simply have not worked.

The act of parliament that established English Heritage intended it to be the body that advised the Secretary of State on matters to do with listed buildings. This certainly has not happened. A parallel heritage division within the department of the environment persistently counters the advice of English Heritage: it must be those DOE civil servants who are so anxious to persuade the minister that English Heritage should move to Nottingham, and its brother organisation, The Royal Commission on Historic Monuments, should go to Swindon. It is hard to think of a more effective approach to ensure chaos, failure to communicate and collapse of morale.

Mr Heseltine, I presume, wanted to lift the hand of government from heritage activities and bring the castles, abbeys and monuments into the market place so that they could trade and make money. As a marketing organisation English Heritage has performed well enough. Lord Montagu as chairman (he retires in August) understood the need to be more commercial. The tiresome logo is seen widely and there are now 200,000 members of English Heritage. But the National Trust, with some two million members, shows that heritage concerns count very highly with a large slice of the population.

What the minister did not seem to understand was the role of heritage advice and the statutory functions of English Heritage. This whole area has become so confused that inefficiency and arrogance seems to be the order of the day over any matter to do with listed buildings and their protection. Leading proponents of conservation and owners of important buildings find it increasingly frustrating to deal with English Heritage.

How much more effective will the organisation become when it is in Nottingham and Swindon with a lot of new staff? In many ways it will be almost useless. Take the National Buildings Record, which celebrates its 50th birthday this year with a modest exhibition (at the V&A until May 12) and a book, *Fifty Years of the National Buildings Record* introduced by Sir John Summerson (Trigon Press hardback £14.95, RCHM paperback, £9.95). This outfit, together with the National Archaeological Record and the National Library of Air Photographs, produces the National Monuments Record and is a unique archive of some seven million items. It is something that scholars, architects and planners consult frequently.

The National Buildings Record (NBR) was set up in 1941 as something of an emergency measure to attempt a national record of buildings that were under threat of destruction. In the commemorative book Sir John Summerson tells of the poignantly inadequate measures that were taken in the 1940's to photograph and list important buildings. But at least something was done and it is the stalwart work of people like Summerson and Miss Dorothy Stroud, who toiled single-handedly with her camera and without a car in the outer suburbs of London, that ensured the beginnings of a national architectural archive.

All architectural writers and historians tend to spend time in London where they can consult the riches of the NMR at the same time as visiting national libraries and archives. Who will go to Swindon except in direst need? In a faintly ludicrous report prepared by Coopers and Lybrand Deloitte, *Marketing Strategy for the NMR* published last year, these highly paid consultants urged all sorts of ways to achieve more "customers" for the archives. How is this to be achieved when the raw material is isolated in Swindon? Some civil servant has been told to decentralise and save money and no one seems to have considered the dire effects upon the national capital, which should be the home of all such archives.

Mr Heseltine seems to be having a tough time at the moment, but he should realise that the quality of the national environment depends on a re-think of all aspects of "heritage" affairs. He could do worse that stop the daft plans to decentralise as his first step.

★

It is a pleasure to record that the American architect Robert Venturi has won the Pritzker Prize – the architectural world's equivalent of the Nobel prize. His new wing for London's National Gallery opens in July this year – fortuitously times to coincide with his new recognition as an international laureate.

Colin Amery

Alan Harper

Albert Dock, Liverpool: restored with English Heritage help

Chamber Orchestra of Europe

BARBICAN HALL

Following their television series devoted to the earlier Beethoven symphonies, Nikolaus Harnoncourt and the Chamber Orchestra of Europe came to London at the weekend to complete the cycle. This was the first time that Harnoncourt had conducted the Ninth Symphony and the Barbican audience can count itself fortunate to have caught his interpretation at white heat straight from the intellectual forge.

Everything about the evening was as invigorating as one could have hoped. Harnoncourt's performances, with their combination of controversial new ideas and pounding energy, are guaranteed to exercise the mind as much as they do the physical senses. The puffing and grunting of the conductor and his enthusiastic stamping on the podium are only the most obvious outward signs of the latter.

It is hardly appropriate any longer to refer to Harnoncourt as a specialist in early music, when he is so often found these days in front of symphony orchestras. But what he has learned from working with period instruments was everywhere to be heard here: bright, forward, harsh, aggressively strange sounds. It was as though Beethoven was to be thrust before us as new and radical as he must have sounded in his own day.

This was an elemental Ninth Symphony. More raw at the nerve-endings than Norrington; more expressive than Hogwood, the "authentic" performances which it most closely resembled. It also exhibited some of those Harnoncourt quirks to set musicologists thinking: for example, just when the conductors named above have argued the case for taking the second movement trio slowly, Harnoncourt raced through it at double their pace.

The performance was tinglingly alive and is indeed to be recorded live in Graz later in the year. The COE did not play to the best of its very considerable ability for Harnoncourt on this occasion; but by then both orchestra and soloists (Charlotte Margiono, Birgit Remmert, Robert Tear and David Wilson-Johnson) should have sorted out their problems. The Tallis Chamber Choir is superb already. I trust that it will be kept.

Nor, in the rest of the evening, was there any hint of routine. For the platform had earlier played host to not one inspiring musician but two. In the first half Martha Argerich played Beethoven's Second Piano Concerto with a spontaneity of feeling, now fiery, now poetic, that must have rivalled the spirit of the concerto's early performances, when the composer himself, a great improviser and impassioned soloist, performed it.

Altogether this first of the COE's spring series at the Barbican was an uplifting occasion. A repeat of this programme is scheduled tonight and the other two concerts follow over the next week.

Richard Fairman

Eden Cinema

OFFSTAGE DOWNSTAIRS, NW1

Marguerite Duras's work has a strange bleached quality, which is taken up in stagings of her plays. It is as if a drying and denaturing wind has played over her memories, picking them clean of dramatic flesh, leaving only the bones to be delicately reassembled.

Susan Todd and Iona McLeish, the director and designer responsible for Foco Novo's billowing production of Duras' *Savannah Bay* a couple of years back, team up again for *Eden Cinema*. Once more the dominant colour is white: white sand, pale planks which reach half way up the stairs of this basement theatre. Even the audience seats are shrouded with white rags.

The memories are of growing up in Indo-China. The narrators, Suzanne and Joseph, look back on a childhood in which nothing positive seems to have happened except for one brief moment of optimism after their widowed mother erected a sea wall to make her lands farmable, and before the Pacific tides swept it out to sea. This former pianist in the Eden cinema had been conned by colonial authorities into spending her life savings on a tract of salt marsh on which nothing would ever grow.

The play, which is certainly not to everyone's taste, functions through a teasing denial of information. Suzanne knows nothing about her mother's youth, while memories of her middle age are obstructed by the developing identity of a lonely adolescent. The older Suzanne (Julia Foster) looks on as her younger self (Emma Rice) extorts a diamond from a luckless suitor, then sets off for the city *en famille* to sell it for money to rebuild the sea wall.

Almost dispassionately the older Suzanne tells us that her mother was prepared to sell her as well to make up the money, but we have no way of knowing whether this is reality or fantasy. Like marriage and escape and many other possibilities in her life, it simply did not happen.

Similarly, Suzanne's reports that her mother was mad are undercut by Doreen Mantle's exquisite portrayal of a sad, still megolith, brooding over the misfortunes of her own family and the starving peasants. Duras writes beautifully and unusually for the actress of a certain age, allowing characterisation to seep out of the cracks between what we see and what we are told.

Susan Todd picks this up in a moody, elegiac production richly served by a splendid cast. Emma Rice and Sean Patterson's sullen teenagers, oozing dangerous passions, are poignantly offset by the sweating pellor of Sam Cox as Suzanne's suitor and the mellow wistfulness of Julia Foster's half-comprehending narrator.

Claire Armitstead

Die Zauberflöte

FRANKFURT CITY OPERA

Depleted and disillusioned, the Frankfurt ensemble is back in its home, three and a half years after the Opera House fire. There is really not much to celebrate. The production team and some of the cast for *Die Zauberflöte* were brought in at the last minute. The new stage machinery does not yet function properly and the repertory for the rest of the season consists of tried old favourites.

After camping out for so long, the company must now make do with stop-gap artistic leadership, while a new intendant and music director are sought. We are a long, long way from those heady days four years ago, when the company's identity and achievement were so clearly stated by the Gielen-Berghaus *Ring*.

Much of the blame for the current mess lies with Gary Bertini, who resigned as director last December after a vote of no confidence by the orchestra. Despite his success in engaging talented young singers, Bertini never convinced the Frankfurt public or opera ensemble that he was the right man for the job. He was a poor manager of people and he was away too often to be an effective leader.

Die Zauberflöte, staged by Wolfgang Weber with designs by Toni Businger, was solid and dependable, but without any special touch. The decor consisted of plain proscenium frames and drop-cloths, linked by variations on a splintered sun motif. A slim set of dangling strips, red and then blue, served for the trial of fire and water, and all masonic associations were dropped. The amplified thunder preceding the Queen of the Night's entries was hideously loud, but the music was conducted fluently and efficiently by Marcello Viotti.

The singing had splashes of distinction. Matthias Hölle presented the ideal Sarastro – majestic in voice, every phrase beautifully sculpted and weighted, a handsome, well-built figure with an air of dignity and youthful maturity. An unqualified welcome, too, for Teresa Seidl, a Pamina of rich, noble tone and faultless voice production: "Ach, ich fühl's", self-contained yet expressive, was outstanding. The production could also boast an unusually well-matched trio of Ladies and Knaben. Christer Bladin's Tamino was prone to sing flat, Amanda Halgrimson's Queen of the Night cleared the hurdles with little to spare and Michael Vier – not a natural comedian – showed that Papageno just cannot fail. After the turmoil of the recent past, perhaps it is no bad thing that *Die Zauberflöte* should turn out to be such a low-key affair. From here on, things can only get better.

Andrew Clark

Guys and Dolls

THEATRE ROYAL, PLYMOUTH

Anglo-German relations have taken a theatrical turn with a joint production of *Guys and Dolls* by the Theatre Royal, Plymouth and the Deutsches Schauspielhaus, Hamburg, backed by the Arts Council of Great Britain. Why the two companies should have chosen an American musical for what is billed as the theatre's first venture into the single European market is their business; there can be little no doubt, however, about the universal appeal of the piece, if it is well done. In Plymouth, it is spectacular.

A great deal of talent has been assembled. The director is Michael Bogdanov, who has his connections with the German theatre as well as the English Shakespeare Company. Adelaide, the girl who has been engaged for 14 years and still can't quite get Nathan Detroit to the altar, is played by Barbara Windsor, who will be forever remembered for her performances in the early Joan Littlewood productions at Stratford East. The Schauspielhaus provides the sets and properties, and very striking some of them are. The English provide the players.

A first impression is simply of the sheer ambition of the production. Here is a large stage well filled with West 46th Street. The skyscrapers tower; the neon-lighting does whatever it is supposed to do. On the ground, and under, the Salvation Army competes for space with the crap game and the law. None of that seems in the slightest way incongruous.

Then there is the attention to detail. Look at the men's jackets, the gloriously gaudy colours of their suits, sometimes waistcoats, hats and ties. The gamblers twitch physically while waiting for a game that may not take place. The production is superb when it comes to highlighting a particular incident: see the look on Sky Masterman's face when luck really does turn out to be a lady, or Lieutenant Brannigan's expression on entering the mission hall only to find the gamblers turned holy.

Again, there is the strength of the ensemble playing. Ms Windsor still has a lot going for her. She has the old unmistakeable squeaky voice and way of moving. At Plymouth on Saturday her legs became entangled with a microphone cord; she got out of it admirably. She is a star in her own right, but when she sings "Take Back Your Mink", it is the ensemble as a whole that you will look at just as closely.

Much the same goes for the even bigger number "Sit Down, You're Rockin' The Boat". It comes when the gamblers are assembled with the brothers and sisters in the mission hall. There are no stars because everybody on stage performs with such precision and coordination.

It has always been a moot point whether the top couple in *Guys and Dolls* is Adelaide and Nathan (played by Gareth Hunt), or Sky the gambler, and Sarah Brown of the Salvation Army. Here let's call it even, while adding that Paul Greenwood as Sky and Jacinta Mulcahy as Sarah turn it into a race worth watching. Top of the lot is Steve O'Hara's Nicely-Nicely Johnson. How could anyone resist a name like that? He joins the Salvation Army in the end and plays the drum.

The production is at Plymouth until May 4, then tours the English regions.

Malcolm Rutherford

Still playing the tease: Tom Jones

Tom Jones

HAMMERSMITH ODEON

There they were, well-preserved ladies egging each other on to slip the bouncers and make to the front of the stage where they could hand the star the roses, the china ornaments – and the panties.

Whoever first threw her knickers at Tom Jones should be made an honorary member of the Guild of Garment Makers, because the ritual of the panties has become the cornerstone of his act. The well-laundered exhibits, ranging from skimpy red to enormous white bloomers, are handed over for Tom to mop his brow. They are then returned, with a kiss. It is as decorous as a Japanese bow.

And as boring. There are signs that Tom Jones, now enjoying at 50 a popular renaissance, would like to go legit, to wow with his voice rather than his lower vertebrae. But he is a kindly man and he likes to please his fans. So he stays a tease.

To shouts that he remove his jacket he coyly replies, "it will all be off before the night is out – this is just the foreplay", and to the little girl offering him a flower: "How old are you love. Nine? Well I can't do much for you then." He shakes his body like a gorilla rattling his cage; thrusts forward on his crotch; and grinds like a corkscrew, surely to share old memories rather than to excite.

With his cheerful wrinkly smile and his heavy winks, Tom Jones is totally the entertainer. Yet he could be much more. The voice is still mostly there, and just as exciting in the lower register. Sustained by a row of six glasses of water, and what look like mints, he belts out the ballads, rips off the rockers, and dusts down the old hits for two hours.

The only thing missing is decent songs. The best are the new, written for him by Van Morrison. But there are too many vaguely Latin numbers which sound like the Romanian entry in the Song for Europe, while the rock and roll, which currently enlivens the show, is unconvincing pastiche.

You enjoy Tom Jones' act. You like the man. You thrill to the crowd. But not for a moment do you relate to the music or the lyrics, or imagine that any genuine feeling inspires the songs. All the genuineness goes into the love-in between the star and the fans, their appreciation of a jolly rogue – and that is why the panties play is more important than the performance.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

MUSIC

Komische Oper 19.00 Harry Kupfer's production of Giustino. Tomorrow: Wolfgang Rennert conducts Die schweigsame Frau. Wed: Cav and Pag. Fri: Der Freischutz. Sat: Bartered Bride (2292 555)

Deutsche Oper 19.30 Rigoletto. Tomorrow and Thurs: Katya Kabanova. Fri: Trovatore. Sat: Die Zauberflote. Sun: Tosca (3410 249)

Philharmonie Kammermusiksaal 20.00 Murray Perahia plays Mozart piano concertos with Berlin Philharmonic Orchestra, also tomorrow. Thurs to Sun: Dennis Russell Davies conducts Dvorak, Stravinsky and B A Zimmermann (2614 383)

THEATRE

This week's repertory includes Galileo Galilei, The Threepenny Opera and The Caucasian Chalk Circle at the Berliner Ensemble (2827 712); Turgenev's A Month in the Country and Thomas Langhoff's production of Maria Stuart at the Deutsches Theater (2871 225) and The Comedy of Errors at the Volksbuhne (2082 748); in the western part of the city the Schaubuhne (890023) is presenting Luc Bondy's production of The Winter's Tale (Wed, Sat and *Sun only*)

■ BOLOGNA

Teatro Communale 21.00 Tokyo String Quartet and Nobuko Imai, viola, play Mozart quartets and quintets (529999)

■ CHICAGO

Orchestra Hall 19.30 An evening with Miles Davis. Wed: Seiji Ozawa conducts *Boston* Symphony Orchestra. Thurs, Fri and Sun: Barenboim conducts Chicago Symphony. *Sat: Barenboim joins* Itzhak Perlman in a concert of Mozart violin sonatas (435 6666)

■ FRANKFURT

Alte Oper 20.00 Recital by the Labeque sisters, with programme including Ravel's Mother Goose. *Thurs: Ivo Pogorelich. Sat:* Camerata Bern (1340 400)

This week's theatre repertory *includes Waiting for Godot* and Lessing's Nathan the Wise at the Bockenheimer Depot and Moliere's Georges *Dandin at the* Kammerspiel. The only opera performances this week are Die *Zauberflote (Fri and Sun) and* Tosca (Sat) (236061)

■ LONDON

DANCE

Covent Garden 19.30 Royal Ballet triple bill, with Balanchine's Agon, *Ashton's* A Month *in the Country* with Sylvie Guillem and MacMillan's *Requiem*. Also Sat (240 1066)

MUSIC

Royal Festival Hall 19.30 Yehudi Menuhin's 75th birthday concert: Menuhin plays Beethoven's two Romances and conducts Choral Symphony. Tomorrow: Ashkenazy conducts Alexander Nevsky. Fri: Andrew Davis conducts BBCSO. Sat and Sun afternoon: Edward Downes conducts Prokofiev symphonies. Sun evening: Zubin Mehta conducts *LPO (928 8800)*

Queen Elizabeth Hall 19.45 Mischa Maisky plays music for cello by *Prokofiev, Rakhmaninov* and others. Tomorrow: National Westminster Choir. Wed: Hanover Band (928 8800)

Barbican 19.45 Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in Beethoven's Choral Symphony and Third Piano Concerto, with Martha Argerich (638 8891)

THEATRE

This week's shows include Carmen *Jones*, Simon Callow's lavish period revival of the Oscar Hammerstein musical based on Bizet's opera (Old Vic), Michael Bogdanov's English Shakespeare Company productions of Coriolanus and The Winter's Tale (Aldwych), The Rehearsal, Ian McDiarmid's elegant production of Anouilh's comedy (Garrick) and Theatre de Complicite's award-winning production of Durrenmatt's The Visit (National). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MADRID

Auditorio Nacional de Musica 19.30 Augustin Dumay, accompanied by Maria Joao Pires, plays Mozart violin sonatas. Tomorrow: Bernard Haitink conducts Dresden Staatskapelle. Wed, Thurs and Fr: Vaclav Neumann and Jiri Belohlavek conduct concerts with the Czech Philharmonic Orchestra. Sat: Vladimir Ashkenazy conducts the Royal Philharmonic Orchestra. On Fri, *Sat and Sun, there are also* concerts by the Spanish National Orchestra (337 0100)

Teatro Lirico La Zarzuela *20.00* Teresa Berganza sings title role in Handel's Rinaldo, in Pizzi production conducted by Antoni Ros Marba. Also Sat (429 8225)

■ NEW YORK

DANCE

Metropolitan Opera 20.00 American Ballet Theatre opens Spring season with new production of Coppelia choreographed by Enrique Martinez. Season runs till June 22, with further performances every day this week till Sat (362 6000). New York City Ballet's Spring season opens with Peter Martins' new production of Sleeping Beauty at the New York State Theatre on Wed, and continues till June 30 (870 5570)

THEATRE

This week's shows include Gypsy, award-winning production of the musical with lyrics by Stephen Sondheim and the original choreography by Jerome Robbins (Marquis), I Hate Hamlet, Paul Rudnick's comedy about a young television star who is cast in the title role of a Shakespeare-in the-Park production (Walter Kerr), a David Mamet double-bill including Reunion, a play about father and daughter meeting after 20 years of separation (Triangle) and Haunted Host, Robert Patrick's play about a Greenwich Village writer who is haunted by the memory of his young protege and confronted by the dead man's double (*Actors Playhouse*). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

MUSIC

TMP-Châtelet 20.00 Eliahu Inbal conducts Ruth Berghaus' new production of Ariane et Barbe-Bleue (Dukas), decor by Hans Dieter Schall, costumes by Marie Luise Strandt, with Francoise Pollet as Ariane and Gabriel Bacquier as Barbe-Bleue, also Thurs and Sat. Fri: Boulez conducts Ensemble InterContemporain (4028 2840)

Opéra Bastille 19.30 Philippe Auguin conducts Robert Carsen's production of Manon Lescaut, with Diana Soviero in title role and Vasile *Moldoveanu* as Des Grieux. Runs till May 4, next performances Wed and Fri (4001 1616)

Opéra Comique *20.00 Maria* Bachman accompanied by Jan Klibonoff plays violin sonatas by *Mozart, Brahms, Rochberg and* others. Tomorrow: Favart's La fee Urgele (4266 8883)

Théâtre des Champs-Elysees 20.30 Alain Planes plays piano music by Schubert and Debussy. Thurs: *James Conoln conducts Orchestre* National de France. Sun: Recital by Gil Shaham (4720 3637)

THEATRE

This week's repertory includes a new production at the *Odeon-Theatre de l'Europe of Jean* Genet's The Balcony (4325 8092); at the Comedie Francaise Moliere's Le Malade imaginaire, Strindberg's The Father and Beaumarchais' Le Barbier de Seville (4366 4360); and a Feydeau one-act farce, On purge Bebe, at the Theatre des *Bouffes du Nord (4607 3450)*

■ VIENNA

Staatsoper 18.30 Horst Stein conducts Der Rosenkavalier with Gwyneth Jones as the Marschallin and Trudeliese Schmidt as Octavian. Tomorrow, Thurs and Sun: Schreker's Der ferne Klang. Wed and Sat: Abbado conducts Khovanshchina. Fri: Salome (51444 2960)

Volksoper 19.00 Wiener *Blut* by Johann Strauss. Tomorrow: Der Zigeunerbaron. Thurs: Eine Nacht in Venedig. *Fri: Kalman's Die* Zirkusprinzessin (51444 3318)

Musikverein 19.30 Clemencic *Consort plays Vivaldi. Tomorrow:* Vienna Virtuosi play Mozart's Clarinet Concerto and H K Gruber's *new Cello Concerto. Fri: Orchestre* National de Lille. Sat and Sun at 11.00: Horst Stein conducts Vienna *Philharmonic. (505 8190)*

Konzerthaus Grosser Saal 19.30 Oleg Maisenberg, Natalia Troitskaya *and others give a gala* concert in aid of environmental conservation. Thurs: recital by Ann *Murray. Sat: Vienna Symphony* Orchestra plays music by Zemlinsky and Hubert Stuppner *(7124 6860)*

Akademietheater 19.30 Brecht's The Good Person of Sezchuan. Thurs, *Sat* and *Sun* at 15.00: Chekhov's Ivanov. Sun at 20.30: Klaus Maria Brandauer reads *Einstein (51444 2218)*

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Monday April 22 1991

Steel: crisis, what crisis?

IT IS TIME for the European steel industry to stand up and be counted. Before the muttering starts in earnest that a recession in European steel demand should be met with EC support measures, the industry must relinquish its lingering claim to special status, accept that normal competition rules apply and disavow the use of subsidies and cartels to prevent market discipline driving out the weakest and the least efficient producers.

The European Commission's recently announced investigation into an alleged cartel in steel for the construction industry should mark a turning point for the industry away from cartels and towards competition.

The durability of an opposite view to this reflects steel's history as a cornerstone for the construction of an integrated European economy. The 1952 Treaty of Paris, covering coal and steel, was the industrial base for the European Community. Its aim was to make Europe more stable by binding Krupp and Thyssen, two of the great industrial engines of Germany's war machine, into a European system for controlling the industry.

These are the forces which made steel's difficulties in the last recession a "manifest crisis", in EC jargon, complete with import restrictions, production quotas, price controls and official sanction of huge subsidies.

The pressures for a new bout of political intervention should not be disguised by the fact that today producers talk about long term market stabilising positions rather than quotas; about "orderly marketing agreements", rather than cartels. The fact that two of Europe's largest producers, Ilva in Italy and Usinor Sacilor of France, are still state owned guarantees a political ingredient to the debate. It would only take one government to provide heavy subsidy to one producer, for private sector companies to seek production quotas to prevent predatory pricing. Before long, we would have spiralled back to a semi-official cartel.

Steadfast position

There is no justification for such recidivism. The scale of the current downturn does not compare with the crisis which engulfed the industry between 1974 to 1988. Then, arguably, it threatened a political crisis which could have buried the common market beneath a slag heap of economic nationalism. This time, the industry faces a normal cyclical downturn, not a crisis, and it is essential that the community shows itself steadfast against measures which in the end mean higher than necessary steel prices and a weaker economy.

The last manifest crisis was only palliated at great cost, as new entrants were discouraged and technical change retarded. Politically managed capacity cuts were also too shallow and shared in an inefficient way across the industry, between low and high cost producers. The EC still has overcapacity of about 25m tonnes a year; fully open to international competition, the figure could be 50m tonnes.

Old temptations

It would be possible to feel relaxed about the dangers of politicians succumbing to old temptations, if Sir Leon Brittan, the competition commissioner, had succeeded in his campaign to scrap or at least substantially amend the Treaty of Paris, under which the manifest crisis measures were imposed. That would have removed an important practical and psychological prop for the industry.

However, there are many effective steps the EC can take short of abolishing the treaty. First, Sir Leon should be encouraged in his determination to subject the industry to stringent competition rules. If the members of the alleged construction steel cartel are found guilty they should be fined well in excess of the token sums imposed last year on members of the stainless steel cartel.

More broadly than this, the EC should use the forthcoming multilateral talks on steel trade in Geneva to commit itself to a liberal regime. This is possible within the terms of the Paris Treaty. But it will need a public commitment by the community to foreswear use of the infamous Article 58 crisis powers would be the right signal at the right time.

The case for road pricing

IMAGINE a supermarket which introduced a £10 entry fee and halved the prices of its goods. Demand from its customers would soar, its shelves would be stripped bare, and it would quickly go out of business. As the last shoppers staggered home under the burden of their purchases, they might remark that the proprietor had a poor understanding of the way markets work.

It could never be. And yet, it is argued, something similar happens on the roads. People pay a high price up front to buy, tax and insure motor cars, then find that the marginal cost of using them amounts to little more than the cost of the fuel consumed. The result is that they drive too much.

This mattered less when fewer people were able to afford the motoring market's entry fee. But as prosperity has risen, and with it the number of vehicles owned, many countries are finding that the pace of traffic growth is outstripping their ability to increase their road network.

The problem is particularly acute in densely-populated Britain. Congestion is already serious in most urban areas and on many trunk routes. And according to Department of Transport forecasts, the number of vehicle miles being driven will be two-and-a-half times greater in 35 years.

Although a portion of the growth can be accommodated by roadbuilding, environmental considerations now rule this out in many built up areas, and it is becoming an increasingly difficult option elsewhere. So something is going to have to restrain demand.

Discriminating use

One way of achieving this would be to encourage more discriminating use of the available road space by eliminating distortions from the market. At present, motorists do not pay the full social costs of their driving because they make no direct contribution towards the cost of road deaths and injuries, towards the environmental costs of noise, visual intrusion and atmospheric pollution, or towards the cost of congestion itself.

The solution could be a system of charging drivers on a pay-as-you-go basis. Electronic devices in vehicles would respond with roadside devices to clock up charges against drivers according to type of vehicle, time of day and amount of road space consumed. Vehicle owners would receive a quarterly bill as they do for gas, electricity and telephone charges.

Political difficulties

The idea is not far-fetched. An electronic system was developed and tested for a pilot project in Hong Kong. It achieved reductions in peak-time traffic of up to 24 per cent. But the experiment was dropped on civil rights arguments because the technology allowed people's movements to be tracked.

The logic for road pricing seems inescapable. Certainly it is preferable to rationing vehicle ownership or allowing congestion to regulate the imbalance between supply and demand. Yet progress towards it must recognise the political difficulties of introducing a charge for something which, like air, consumers have grown accustomed to receiving free.

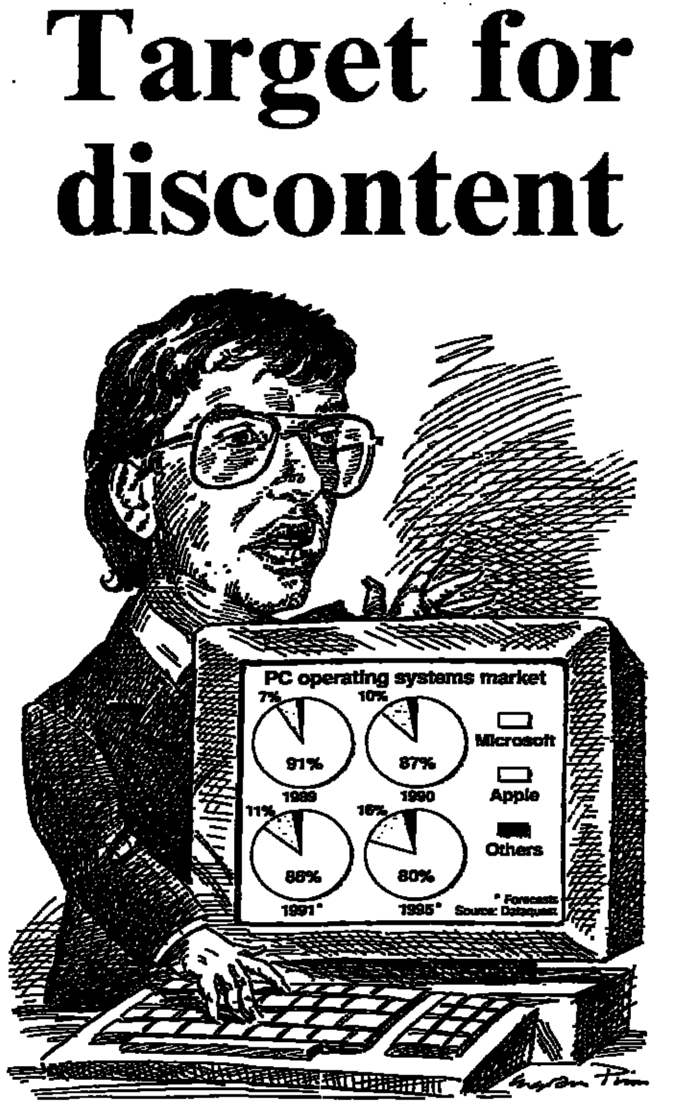
Acceptance will be more likely if road users are convinced that other options have been exhausted. This is not yet the case. The government's heavily-expanded roadbuilding programme will relieve some trunk road congestion. In urban areas, where congestion is most pressing, much could be achieved through measures such as tougher enforcement of parking restrictions, better control over road works, and taxation of company-provided car parking spaces.

Nevertheless, the breathing space is limited. One city – Cambridge – has already decided that the only way to solve its congestion problems is to go it alone with a road pricing scheme of its own. Others may soon follow.

The government has so far stood back from the road pricing issue. It should no longer do so. An embarrassing failure of road pricing in Cambridge or elsewhere would exacerbate the difficulty of introducing the scheme more widely. The government should lend its support to the Cambridge experiment and do what it can to ensure it succeeds.

Microsoft has become a focus for industry ire, writes **Louise Kehoe**

Target for discontent



Microsoft chairman and founder Bill Gates: always plays to win

When Microsoft's popular "Windows" program received a "Best New Business Software Product" award at a recent computer software industry event in San Francisco, the audience of industry executives booed and hissed.

This outburst of public animosity reflects rising resentment towards Microsoft among its competitors and even some of its partners in the personal computer industry, who charge that the company is using "bully tactics" to expand its dominant position in the market for personal computer programs.

Industry grumbles have now come to the attention of the US Federal Trade Commission which has told Microsoft that it is conducting a broad anti-trust investigation into "third-party allegations that the company has monopolised or has attempted to monopolise the market for operating systems, operating environments, computer software and computer peripherals for personal computers".

"I don't believe we are doing anything illegal or unethical," insists Mr Mike Hallman, Microsoft president. The commission has not raised any specific charges, he says, adding that envy of Microsoft's success is behind much of the criticism. Industry observers agree that there are a lot of "sour grapes" among those who wish that they could have matched Microsoft's performance. Certainly, as the world's largest and most profitable computer software company, Microsoft makes an easy target.

With 1990 revenues of $1.18bn, Microsoft dominates the market for programs that run on personal computers. Already for the first three quarters of fiscal 1991, Microsoft has reported revenues of $1.3bn. The company is widely acclaimed as one of the best-managed computer groups, and PC users clearly have benefited from its dozens of products.

Yet within the computer industry, Microsoft has become the company that competitors love to hate. Mr Bill Gates, its chairman and founder, receives much of the blame. At 35, he is an entrepreneurial legend, a self-made multi-billionaire. Intensely competitive, Mr Gates "always plays to win and to leave the other guy knowing that he has lost", says a long-time business associate.

Founded in 1975, Microsoft rose to power in the early 1980s as the developer of MS-DOS, the "operating system" program that controls the basic functions – such as retrieving or saving data – of IBM-compatible personal computers. Since then, the company has played a pivotal role in the personal computer industry, in part because of its ties to IBM.

Microsoft has expanded its hold on the systems software market with programs such as OS/2, a more powerful PC operating system, and "Windows", which gives IBM-compatible computers many of the attributes of an Apple Computer's Macintosh.

But the company has also established itself as the premier supplier of applications programs – such as word processors and spread sheets – for Macintosh and as a challenger to market leaders in two of the main segments of the market for IBM-compatible applications programs.

As Microsoft has grown, so has its power to influence the industry, particularly in the areas of standards and the direction of technology. But this power has also bred resentment.

Microsoft "is like a tall teenager who has yet to achieve the maturity that goes with his stature", says Mr Dick Williams, president of Digital Research, a long-time Microsoft competitor. Aggressive sales tactics may have been acceptable when Microsoft was a "small, scrappy company", he suggests, but today "they have an extremely adverse impact upon all other players in the industry".

Even IBM, long Microsoft's closest partner, appears to be distancing itself from the software company. Last week IBM held a series of seminars to lay out its future PC operating system strategy. Microsoft played no part in the presentations.

The long-time allies now acknowledge differences of opinion over the direction of PC software. While Microsoft is promoting its "Windows" program, in combination with DOS, as the operating software of choice for most PC users, IBM is firmly committed to a new generation of software based upon OS/2, an operating system that the two companies developed together.

Since Microsoft has an interest in both programs this might appear to be an "in-house" squabble, but in reality its outcome could determine whether Microsoft takes control of PC software standards, or cedes that role to IBM.

"IBM intends to deliver OS/2 2.0 ... that will provide a better DOS than DOS and a better 'Windows' than 'Windows,'" says Mr James Cannavino, IBM vice-president in charge of personal computer operations. In another move that has raised questions about the Microsoft-IBM "marriage", IBM has recently been licensing PC software from several Microsoft competitors.

Microsoft's relationships with some other key players in the personal computer industry are also strained; for instance, the software company is in the middle of a legal fight with Apple Computer over alleged copyright infringement of Macintosh software. Hewlett-Packard, the leading supplier of desk-top computer printers, is also antagonistic. "Microsoft cares more about winning than relationships," charges Mr Doug Carnahan, general manager of the printing systems group at HP.

Microsoft's strategic relationships last only as long as the company sees an immediate benefit, according to other industry executives. Its loudest critics are, however, among its competitors in the market for personal computer applications programs. They take a dim view of Microsoft's dual role as both a systems software and applications programs developer.

Critics charge that Microsoft's in-house applications program developers acquire advanced knowledge of future changes in operating systems and related software, giving them an unfair advantage over outside competitors.

The company can beat competitors to market with applications programs that take advantage of new features of the operating systems developed in-house, competitors complain. Yet even if Microsoft's applications developers do benefit from advance information about systems software, the company is not doing anything illegal.

"Microsoft is not unique in developing both systems software and applications," Mr Hallman protests. "IBM, HP, Digital Equipment and Apple do it too." Microsoft is, however, the only sizeable PC software company that straddles both sides of the software market.

"We treat our applications division just like any other software developer," adds Mr Hallman. Microsoft holds regular developers' conferences to share its plans with outside applications programmers, and has a senior executive in charge of "developer relations", he points out.

This has not dimmed the dislike of Microsoft among dozens of smaller PC software companies. Those that attempt to compete head on in the PC operating systems market claim that the market leader uses "tie-in pricing", linking purchases of its applications programs to prices for its operating systems programs.

Others make claims of being drawn into sharing their product secrets with Microsoft in licensing or acquisition talks, only to see Microsoft launch a competing product after the talks have broken down.

To allegations that Microsoft has exploited smaller companies, Mr Hallman responds that it is difficult to address "non-specific" charges. "But we have a very clear set of guidelines on business practices. We have to deal with other companies without exploiting those contacts."

The FTC investigation into Microsoft's business practices could go on for months, even years, and may lead nowhere. Legal experts say that no evidence has emerged to suggest that Microsoft is in violation of anti-trust laws. In the meantime, however, Microsoft may be forced to confront its lack of popularity in an industry where inter-company relationships are crucial.

"One lesson we have learned," Mr Hallman acknowledges, "is that we need to make sure that we communicate fully with all our partners."

Another lesson may be that Microsoft must temper its marketing tactics while it is under the scrutiny of federal regulators. Though it is a midget in the computer industry as a whole, in the personal computer software industry Microsoft is a giant. It cannot throw its weight around without being labelled a bully.

Saddam's killing field

By Samir al-Khalil

In justifying the US reluctance to become involved in the internal affairs of Iraq, American commentators have tended to draw parallels with Lebanon. But a more appropriate analogy for understanding Iraq's internal situation in the wake of the Gulf war would be Cambodia.

The whole of Iraq, excluding the areas zoned off by the allied forces, has been turned into a giant killing field by the ruling Ba'ath party. The primary purpose of this carnage is to extinguish hope in any alternative to the present system. To fulfil this intention the Ba'ath has to eliminate many more people than ever rose up in arms against it. Given the scale of the destruction of the war, and the onerous terms of the ceasefire resolution, the only way that the regime can now survive is through genocide on a scale similar to that practised by the Khmer Rouge. The Iraqis who remain will then agree to live in near "apocalyptic conditions" just as the Cambodians did.

True, there was an uprising and it was crushed by what remains of the state's machinery of repression. But an uprising is not a civil war, although it may eventually turn into one. Iraqis rose principally because they placed responsibility for the catastrophe that had befallen their country upon their own government. They rose as Iraqis, not as Kurds or Shias. Nor were they suppressed just by a minority Sunni regime, but by troops from all sects who over the years had become bound up with the Ba'ath through complicity in acts of violence. Some sections of largely Sunni Baghdad did not revolt, for instance, while the Sunni town of Zubayr in the south did. In its origins, therefore, the uprising in Iraq was not about sectarian or ethnic hatreds.

But the regime, as the orders it gave its forces in the north to conduct mass shootings of demonstrators show, is now trying to create a new internal constituency held together by the notion that what is at stake is a war to the finish between Arabs and Kurds.

Similarly in the south the uprising was suppressed by indiscriminate killing (which is still going on) and the deliberate inculcation of Sunni-Shia sectarianism. The Republican Guard began by targeting civilian areas. Residential neighbourhoods were shelled from city outskirts using tanks and artillery. Tanks rolled into Shia neighbourhoods with the phrase "no more Shias after today" painted on their armour. People were hunted down from house to house and killed. Whole families were found in Kerbala knifed to death. Women and children were hung from the turrets of tanks as human shields. Bodies were stripped, mutilated and piled on pavements. Each member of the Republican Guard was awarded 200 dinars for the killing of a Shia and instructed to shoot males over the age of 15 on sight.

It is measures like these, and 22 years of knowing what the Iraqi Ba'ath are capable of, that have led people to flee their cities and towns in an exodus of almost Biblical proportions.

As it grapples reluctantly with what is happening in Iraq, the outside world should realise this simple fact: there is no way of avoiding both interference in the internal affairs of Iraq and mass murder.

The UN Security Council has called the refugee problem in Iraqi Kurdistan a "threat to international peace and security" – indirectly recognising that the regime in Baghdad represents a grave threat to the very existence of the people of Iraq.

Similarly the ceasefire agreement which preceded it is itself all about the world's long-term and indefinite involvement in internal Iraqi affairs – through, for example, the establishment of elaborate procedures for the elimination of nuclear, chemical and biological weaponry for instance.

The problem with the ceasefire agreement is not that it interferes but that it does not interfere enough. By stressing non-intervention in the internal affairs of Iraq, the document penalises an entire population for the murderous crimes of its regime. In this sense it is modelled after the Versailles Treaty at the end of the First World War which so overburdened Germany as to give rise to the politics of extremism which ultimately culminated in the Second World War.

The right and proper moral for the termination of such an enormous event as the Gulf war is the one originally pioneered by the US at the end of the Second World War. Then, the victors reached out to help those who they had defeated.

But that kind of political imagination is sorely lacking in the world today. In its absence the march of events by itself is making the argument for non-intervention in Iraq's internal affairs slip even in the minds of some of its hardest advocates. The idea of protected enclaves is an illustration of this.

It needs to be immediately and more boldly implemented by the UN both in the north and the south of Iraq to ease the terrible suffering of the refugees. The Iraqi army and all repressive agencies of the government must vacate these zones fully and adequate UN forces must be provided to protect the areas.

These UN protected zones are of course only necessary pending the establishment of civilised government in Iraq. But to establish such a government will almost certainly require direct action by allied or UN forces.

Samir al-Khalil, an exiled Iraqi, is the author of The Monument: Art, Vulgarity and Responsibility in Iraq, just published by André Deutsch

OBSERVER

Mr Major's memory aid

■ Honest John Major continues to be haunted by his past. No sooner has the little matter of his O-levels been sorted out than the hair-shirted folk at the World Development Movement have dug up another embarrassing piece of paper.

They have found to their delight that Britain's prime minister replied to one of their questionnaires in 1983 saying he "hoped" Britain would achieve the UN's aid-spending target of 0.7 per cent of economic output within five years. It would have meant more than doubling the UK's current £1.7bn budget.

The WDM hand-out brigade are hoping that Major is made of more compassionate stuff, than his predecessor. The movement's director John Mitchell, soon to become a World Bank fat cat, says Major is clearly aware of the needs of the Kurds, the 27m Africans threatened by famine, and the suffering and untimely deaths of millions of others elsewhere.

The embarrassing revelation has been timed to coincide with a less than complimentary OECD biennial review of British aid policy. Over the last decade the UK has slipped from being the most generous aid donor among the Group of 7 leading industrial nations, to the second meanest.

"We will be watching Major closely, hoping he keeps his word," says Ann Clwyd, Labour's aid spokesperson. Of course, if the Tories lose the next election, it will be up to Labour to show that its commitment to the UN target is more reliable.

Bank confidence

■ No doubt it is just a fluke, but have you noticed that there is some sort of correlation between how well a High Street bank is doing, and the size of stake the chief executive has in the business?

Brian Pitman, chief executive of Lloyds Bank owns £800,000 of its shares, followed by Abbey National's Peter Birch with a £300,000 holding in his company, and Barclays' Sir John Quinton with £145,000 in his.

Tom Frost, NatWest's chief executive, has a £75,000 stake, and Sir Kit McMahon of Midland and Don McCrickard of the TSB each have around £20,000 in their charges.

Zwack's mishaps

■ Trouble hounds some people. After first being sacked as Hungary's ambassador to the US, then having his Budapest flat gutted by fire, businessman Peter Zwack now has to worry about his livelihood.

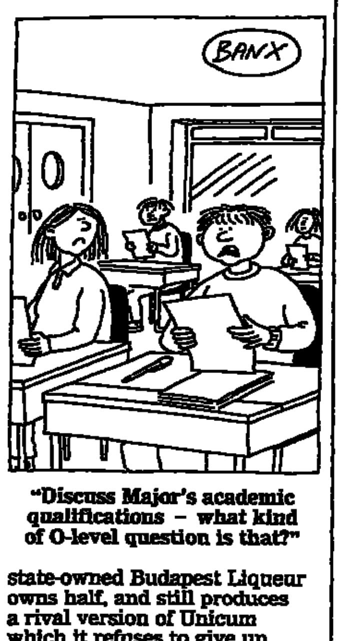
The unfortunate Hungarian-turned-American-turned-Hungarian ex-diplomat has a serious problem. The family alcohol business is deadlocked over who controls Unicum, Hungary's favourite tipple.

An enterprising ancestor, physician to the Imperial Court of the Austria-Hungarian empire, invented the dark-green herbal liqueur in his spare hours. It made the Zwacks rich enough to afford two castles, and for Zwack's father to wear only silk shirts and send them to Switzerland for cleaning. He is also said to have insisted on having three seats to himself at the opera to ensure he had adequate elbow room.

All this disappeared after the Communists came to power. The family fled, taking the secret Unicum recipe with them, and after various adventures – such as selling vacuum cleaners in the Bronx – began making the brew in Italy. More recently, Peter Zwack was lured back to Hungary by the promise that he could re-take control of the old family business.

Unfortunately for him, the state-owned Budapest Liqueur owns half, and still produces a rival version of Unicum which it refuses to give up.

Worse, Zwack's public bust-up with the Hungarian authorities is likely to encourage his enemies to sell out to someone else. Guinness is one outfit said to be lurking near the counter.



"Discuss Major's academic qualifications – what kind of O-level question is that?"

Exhumed

■ With UK undertakers mourning their own deep recession, I hear that 40-year-old Howard Hodgson, who in his heyday was Britain's highest-paid funeral director, is planning a resurrection.

Only three months after retiring from the graveyard business with a £6m fortune and big plans to write historical biographies, Hodgson seems keen to return to the stock market. Only this time he intends to concentrate on the pre-dead market.

Hodgson, who began life as an insurance salesman before rescuing the family's undertaking business, plans to target the over-55s with financial services to be sold by a small army of retired bank managers and accountants. "For the first time ever the third age, over 55, has got money and does want services," says Hodgson in a pause from filming "How Euro are You?" a BBC-TV series warning businesses to prepare for 1992.

Meanwhile, he insists his writing career is not stillborn. Currently working on "How to become Dead Rich: a funeral director tells all" – Hunter Davies suggested the title – Hodgson has not given up hope of writing the definitive biography of Paul McCartney.

Miles apart

■ No seminar on the future of the motor industry would be complete without the obligatory address on the challenges of globalisation. Jack Smith, General Motors' international boss, summed up the problems in an apocryphal tale at the Stockholm motor show.

Students at an international school were studying the automobile business. The Americans wrote a paper on the world's biggest and best cars. The English concentrated on the motor and the glory of the British Empire. The French topic was love and the automobile, and the Italians never quite agreed on what their subject should be.

The Germans devoted 12 volumes to the theory of the automobile, and the Swedes did a thesis on how to make cars for joy and fulfilment. Finally, the Japanese students came up with a strategic plan for 100 per cent market share.

Freudian slip

■ The Barlow Clowes trial may have been delayed till July. But does somebody know something?

Friday's High Court applications list included a company called "Barlow Clowes Guilt Managers".

No alternative to a policy of rigour

Reaction to the current recession shows the strength of the consensus on economic policy in France, says **Ian Davidson**

There are three remarkable features in the current slowdown in the French economy. The first is that most economic forecasters believe France is now in a recession, which has arrived with surprising abruptness. The second is that it has failed to provoke any significant demand for a change of economic policy, let alone any general campaign for reflation.

And the third, therefore, is that it seems to demonstrate how deeply the French are now conditioned by the consensus that there is no alternative to their existing anti-inflationary strategy of economic rigour.

In four short months the diagnosis of the French economy has shifted from slowdown to recession. Two years ago it was bursting with vitality, with growth of 3.7 per cent. Last year the growth rate slowed to 2.8 per cent, but the government was still counting on 2.7 per cent for 1991.

By last December the Organisation for Economic Co-operation and Development (OECD) forecast for French growth in 1991 was down to 2.3 per cent. At the beginning of this year the government was still forecasting 2.2 per cent growth, but in its current economic assessment it has trimmed that figure back to a round 2 per cent. Yet the most recent evaluation by the National Statistical Institute (INSEE) now reckons on growth of no more than 1.5 per cent.

The slowdown is likely to lead to a fresh upswing in unemployment

The slowdown is likely to lead to further unemployment which remains one of the highest in the OECD

which, despite the rapid growth of recent years, remains one of the highest among leading OECD countries, after Italy and Spain. After peaking at 10.5 per cent in 1987, the unemployment rate declined very slowly to just under 9 per cent in the middle of last year. Thereafter it levelled out, and in the early months of this year it has started to edge up again, to 9.2 per cent, or a total of just over 2.5m.

From a political point of view, this is one of the most sensitive aspects of the recession. And yet there is effectively no discussion of a reflationary option as an answer to the unemployment problem; quite the contrary.

The slowdown in economic activity is inevitably being accompanied by a decline in tax revenues, and the fiscal shortfall is likely to be exacerbated by a rise in payments of unemployment benefit and minimum income allowances. But the government's response to the shortfall is a renewed determination at all costs to stick to its target budget deficit of FFr80bn (£7.9bn) for this year. Accordingly, Mr Michel Rocard, the prime minister, has imposed government spending cuts of FFr10bn, plus an additional cut in investment programmes.

None of the conservative opposition parties has challenged the logic of Mr Rocard's decision. Within the rank and file of the ruling Socialist party, it has provoked some controversy, but only about the means, not about the ends: some deputies argued the case for increased taxation, others urged the raising of a special Gulf war loan; but almost none has queried the necessity of holding the line on the budget deficit of FFr80bn.

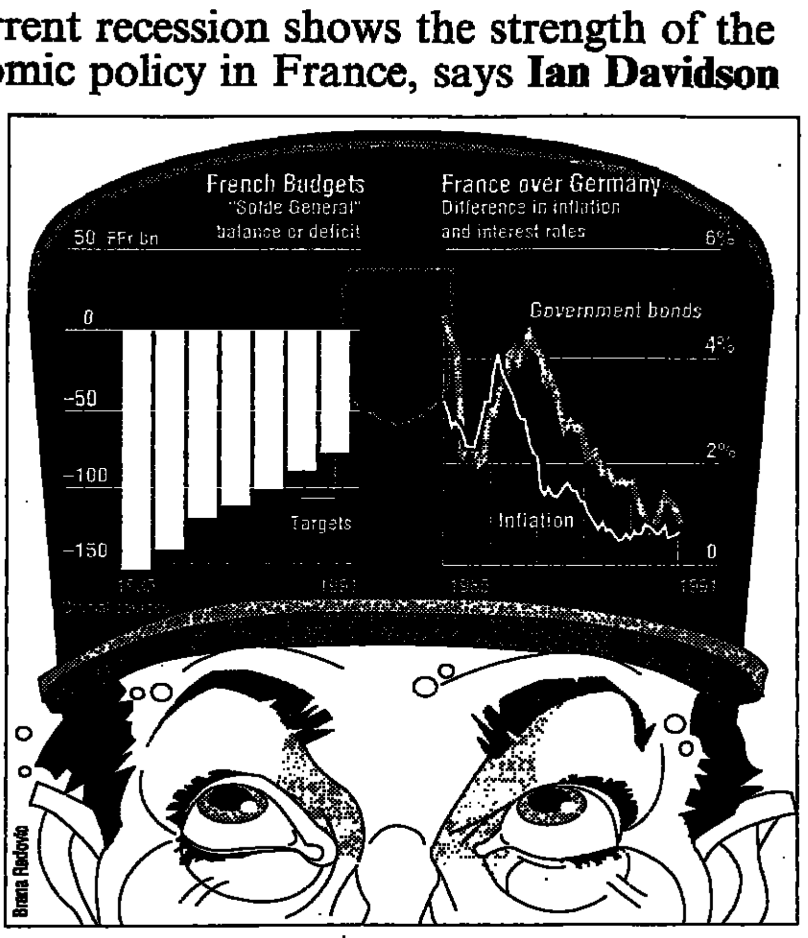
The explanation for this broad-based consensus is that France has been pursuing a consistent economic strategy, without significant variation, for the past eight years, under both left-wing and right-wing governments; and by common consent it appears to be paying off. It was launched by the Socialists in 1983, when they abandoned their ill-starred 1981-82 rush for socialism; it was continued by the conservative Gaullists, when they won the 1986 general elections; and it has remained in force under the Socialists, after President Mitterrand's second victory in 1988.

The overall strategy originated with the decision to put a stop to the series of three devaluations of the franc within the European Monetary System (EMS), in 1981, 1982 and 1983, amounting to a 26 per cent drop against the D-Mark, which accompanied the inflationary expansion of the socialist experiment. Arising logically out of the anti-devaluation stance came a radical decision to pursue an anti-inflation policy, with the explicit long-term aim of narrowing and, if possible, closing the inflationary gap between France and Germany.

The critical first move in curbing inflation, after a temporary freeze on prices and wages in 1982, was the decision by Jacques Delors, then the finance minister, to abolish wage indexation in the public sector – or rather, to replace indexation based on past inflation with a wage system geared to expected inflation. Since the government intended to reduce inflation, this switch meant it could replace an accelerating wage-price spiral with a gradual wage squeeze.

Besides helping to reduce inflation, the wage squeeze also implied a shift of resources back into the corporate sector. It was accompanied by specific tax incentives for company investment and, starting in 1986, a progressive reduction in corporate taxation.

Thirdly, the anti-inflation strategy entailed a tight monetary policy, with a steep decline in the growth of domestic credit. In December 1982, the M2 money supply target for 1983 was set at 10 per cent; a year later, the 1984 target was set at 5.5-6.5 per cent.



French compulsory levies related to Gross Domestic Product

Per cent of GDP	1985	1986	1987	1988	1989	1990	1991
Social security contributions	19.3	18.9	19.2	19.1	19.3	19.4	19.5
Tax burden	25.2	25.1	25.4	25.6	24.6	24.5	24.3

Fourthly and finally, it entailed the recovery of control of government spending, followed by a reduction in the budget deficit. Achieving the first part of this last objective took two years, since the budget deficit went on rising until 1985, when it peaked at FFr153bn; but since then it has been brought down steadily every year, and is expected this year to be no more than FFr80bn.

At this level, it is by now rather modest, less than 1.2 per cent of gross domestic product. The problem is that the fiscal extravagance of earlier years still has to be paid for, in terms of the servicing of earlier public borrowings. Debt service as a share of total government spending has been rising steadily since 1980, and last year it cost just over FFr124bn; this was 9.7 per cent of the total budget, and made it the third-largest component of the budget after education and defence.

This anti-inflation policy has been accompanied over the eight-year period by an uninterrupted process of structural adjustment through liberalisation and deregulation; and this process, too, was started by the Socialists, continued by the Gaullists, and resumed again by the Socialists: the dismantling of price controls, the removal of credit controls, the abolition of foreign exchange controls, the deregulation of financial markets, and the spasmodic withdrawal of government from industrial intervention.

In fact, across the whole field of economic policy, there have been only two serious ideological quarrels between left and right during the past eight years: the wealth tax created by the Socialists, abolished by the Gaullists, and reinstated by the Socialists; and the battle over nationalisation/privatisation, which is now being put to rest by the government's decision to admit the principle that private shareholders can subscribe up to 49 per cent of the capital of state-owned companies.

But if the French economy is now in reasonably good shape, there is widespread agreement that the process of recovery was essentially due to the four-part anti-inflation strategy. "It is these four axes which have allowed the EMS to work," says a senior Bank of France official. "If you can reduce your costs, having a hard currency policy is an advantage, because it protects you against imported inflation. And the abolition of wage indexation was the most important factor, because wages account for two-thirds of total costs.

"The only problem," he added, "is that this process takes time; it took from 1983 to 1987 for the policy to work through."

For the French, the true test of their economic performance is the bilateral comparison with Germany. This is partly an indication of the political importance of the Franco-German relationship, partly a measure of the economic weight of Germany, and partly a recognition that German economic policy is (or has been) the litmus test for all the other members of the European Community.

But it is also a reflection of the weight of the bilateral economic relationship between France and Germany, each of which is the leading trading partner of the other. Nearly 19 per cent of French imports come from Germany, compared with only 11.6 per cent from Italy; while 17 per cent of French exports go to Germany, compared with 11 per cent to Italy.

So it is not surprising that the French should set great store by the bilateral economic indicators, especially the inflation gap and the trade balance. Ever since they changed economic course in 1983, the French have steadily narrowed the interest-rate and inflation differentials with Germany, to the point where they have now nearly disappeared. The bilateral French trade deficit with Germany was still rather large last year, at FFr42bn; but it was significantly smaller than in 1989, and the month-by-month trend shows a steady improvement.

As a result, Mr Vivien Lévy-Garboua, who heads the economic strategy group for the state Planning Ministry, looks forward almost with fatalism to the prospect of French participation in an economic and monetary union in Europe. "The European Monetary System already determines our interest rates, and we have no freedom for manoeuvre on budgetary policy. So Emu will not really change anything. Of course, it is a long, painful apprenticeship; but in any case, no one is proposing an alternative option."

Samuel Brittan

The mystery of German money

One minor but conspicuous cost of German unification is the statistical confusion that has ensued. A leading example concerns the monetary statistics, which are now being published for the whole of Germany. Comparisons with a year ago are, however, impossible as monetary unification only took place last July and it took a little while for the population to adjust.

Some economists who should have known better have fallen straight into this trap and have been saying that the German money supply has been growing at 20 per cent, using this figure as part of their campaign against both the European Monetary System and the goal of European Monetary Union. This percentage is wholly spurious and results from comparing the broad money supply for the whole of Germany with that of west Germany alone a year ago.

The Bundesbank's recommended method of assessment is to compare the latest available all-German figure for February with the average for the fourth quarter of 1990 and annualise the result. This gives 3.5 per cent growth for broad money, which is well within the Bundesbank target range. Narrow money (M1) is not targeted. The best estimate here is 6.1 per cent, little different for the west German average of the last few years.

Bundesbank analysts warn that the monetary numbers may give too favourable an impression, as there have been downward distortions due, for instance, to the dismantling of the former east German trade monopolies. But the underlying rate of monetary growth is still nowhere near 20 per cent. The true reasons for concern arise from a broader range of indicators.

For instance the weakness of the German Mark is telling us something. It is more than the mirror image of dollar strength, as the D-Mark has also fallen against the yen and been relatively weak inside the EMS currency grid. A falling exchange rate may be both a symptom of over loose monetary policy and a direct contributor to inflationary pressures, as experience in countries such as Britain and France has long shown.

The Bundesbank's fears are still modest by the standards of other countries. While inflation speeds up, growth is likely to slow down, a typical experience of any country late in an economic cycle. Wage settlements may be 7 per cent rather than the 6 per cent hoped for early this year. Consumer price inflation is expected to increase from 2¼ to 3¼ per cent by the end of the year – half of the rise reflecting tax increases. But there is a worry that this forecast may be exceeded and inflation rise to 4 per cent or slightly above.

There is indeed more than a 50-50 chance that for a few months from this autumn, headline German inflation rates may exceed headline British rates. One cringes in advance at the way in which the more partisan UK tabloids will celebrate. But this completely artificial crossover will reflect nothing more than the different cyclical positions of the two economies, plus the deficiencies of the British Retail Prices Index, which produce wild gyrations around the underlying inflation rate.

A look at underlying cost comparisons might bring even British Conservative publicists to their senses. Pay costs per unit output have been rising by 2 per cent per annum in German industry compared with a purported 11 per cent in the UK. The last figure is another British statistical own goal reflecting an exaggeration of the productivity slowdown normal in recession. But even if we take 4½ percentage points off the official British measure, there is no doubt whose underlying inflation is likely to remain higher. Sterling is unlikely to take over the anchor role from the D-Mark in the foreseeable future.

So far the Bundesbank has concentrated on fighting unreasonable US demands for an easing of policy. Even if it has to tighten further, there will still be scope for other EC countries to narrow or even reverse their interest rate differentials against Germany instead of following suit. The D-Mark's sound money reputation is an international public good to be preserved.

LETTERS

Capital gains tax of no concern to grim reaper

From Mr Philip Chappell.

Sir, Your leader "Housing and inflation" (April 16) accurately describes the mess that we politely call a policy for housing finance – a mess that is typical of the shambles, in both the modern and the slaughter-house meaning, that pervades all our policies towards personal saving and investment.

But you should not fall into the trap of suggesting any form of capital gains tax on equity withdrawal from owner-occupied housing. The case for roll-over relief is well made: but since the grim reaper does not normally give as much as seven years notice of his plans, most owner-occupiers will die with their estate owning a house, a highly visible asset. On death, the tentacles of inheritance tax (which makes no allowance for purely inflationary gains on savings) wrap up any tax advantages that capital gains tax exemption may have offered during life.

Take away mortgage interest relief and the tax treatment of housing then provides the ideal for taxing all forms of saving, on the personal equity plan/tax-exempt special savings accounts precedent. All investment is made out of after-tax income and thereafter accumulates free of all income taxes and gains taxes, until death levels us all. The Inland Revenue can sleep content in the sure knowledge that we are all under sentence of death, albeit with a temporary reprieve.

Philip Chappell,
AITC Investment Trusts,
22 Frognal Lane,
London NW3

Do not ignore the European Parliament

From Mr Martyn Bond.

Sir, Dick Tavern's valuable letter on the size and effectiveness of the European Commission (Letters, April 18) makes one erroneous assertion. He states that it is "the only European institution which represents the interests of the Community as such, rather than those of the nation states".

To overlook the role of the European Parliament as the voice of the people of Europe is regrettable, especially at a *stage in the negotiation of* political union in the intergovernmental conferences when it will, in all likelihood, acquire considerable additional responsibilities.

Martyn Bond.
European Parliament,
UK Information Office,
2 Queen Anne's Gate,
London SW1

Pension choice

From Mr Roger Lyons.

Sir, When Mr Peter Stirrup, the chairman of the National Association of Pension Funds (Letters, April 15) argues that pension schemes should not be forced to make retrospective changes in order to give sex equality, he is actually arguing for sex discrimination to continue for another 40 years.

His argument that pensions are earned is certainly one trade unions support but it has taken the European Court to establish the principle that pensions are deferred pay, something opposed by the government and the NAPF.

The nature of company pension schemes is such that their members' entitlement to benefit is not really determined until they cease contributing, for whatever reason. Schemes have been only too happy to make retrospective changes to the benefits of early leavers including those whom sponsoring companies have made redundant. Benefit structures do provide for such contingencies but schemes have been happy to profit at the expense of members' lost expectations. Now the reverse situation applies, but despite large surpluses they are resisting members' new expectations of equality.

Trade unions believe that a fundamental principle is involved in ending sex discrimination and so we want equality at the earliest possible date. Legal commentators not dancing to the company tune, orchestrated by the NAPF, believe the European Court was inclined to support this view and intended all pensions claimed after its judgement to be equal.

Finally, Mr Stirrup should have declared, in saying the NAPF is keen for equality as soon as possible, that it is advocating equality at 65.

In other words, it is not influenced by the news that most pension scheme members want the choice of being able to retire on a full pension at 60.

Roger Lyons,
assistant general secretary,
MSF, Head Office, Park House,
64-66 Wandsworth Common,
SW18

Pharmaceutical sector not the best health educator

From Ms J.H. Ewin.

Sir, Three cheers to Mr Ernest Mario, of Glaxo Holdings, for his article, "Educating the patient" (April 17) and its presentation of the case for a well-informed public. A medically aware population should contribute significantly to greater effectiveness and efficiency within the National Health Service.

However, I question the role of the pharmaceutical industry as educator. Having seen some of the campaigns thus sponsored in the US it is hard not to worry that people are encouraged to focus more on those complaints for which there are expensive medical cures rather than on some of the more basic issues of self-help.

The National Health Service was built on the belief that the government and medical community must provide the medical care maintain the highest possible level of health among the population. Unfortunately, the public were never made full partners in this responsibility. Is it not time we demanded a more direct means of participating in decisions concerning our living and dying? As a start, we need more and better organised health education.

If the pharmaceutical industry wishes to contribute to the cost of such an educational effort, we thank them. But please, do not allow the piecemeal, illness-oriented public relations efforts of the past masquerade as the public health education we so desperately need.

Jeannette Haase Ewin,
Alton Wordsmiths.
20 Seymour Square,
Kemp Town, Brighton,

Equity on property valuable and popular security

From Mr Osman Streater.

Sir, Some time ago, you published a trenchant article saying that the Conservative government "has undermined the long-run financial security of many individuals" (The Long View, January 6). It had, you warned, done this by deciding to wind down the State Earnings Related Pension Scheme, even though the UK was spending only 7.5 per cent of national income on state pensions, as against 14 per cent in France and Germany. Millions of investors in the new personal pensions, you stated, "have no idea what benefits their contributions will eventually buy" – the implication being that they would be sorely disappointed.

Later, you published another editorial decrying the rise in capital value of housing during the lifetime of the same government ("Housing and inflation", April 16). "A modified capital gains tax", you suggest, "should be applied to owner-occupied housing."

For many people in this country, the rise in the capital value of their house provides the best long-term security they can expect. Yes, those rises in value have been much more marked in Britain than in France and Germany. But then in France and Germany the state does more for its pensioners than is done in the UK.

Like mortgage interest relief, the ability to use the growing equity in the value of one's house for purposes of one's own choosing is not just, as you say, one of "Mrs Thatcher's sacred cows". It is universally popular. It is needed. And it takes the place of benefits which British governments, unlike French and German ones, are not prepared to provide for their citizens. So why can't it be left alone?

Osman Streater,
Savile Club,
69 Brook Street, W1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

FINANCIAL TIMES
Monday April 22 1991

ECONOMIC POLICY

G7 divided on global interest rates

By Peter Norman and Stephen Fidler in London

DIFFERENCES on interest rates have opened a division among the Group of Seven industrialised countries which some officials say may be as wide as at any time since the group started economic policy co-ordination in 1985.

The differing views, which will surface on Sunday at a meeting of G7 finance ministers and central bank governors in Washington, stem from a US desire to see lower global interest rates to tackle what it sees as a growing risk of world-wide recession.

"Next Sunday will probably be the occasion where disagreement on the emphasis of future economic policy among the G7 will be the most noticeable of any recent meeting," a senior European monetary official said.

According to a US administration official, the US believes that the "balance of risks" between inflation and global recession has shifted. This is against a background of an uncertain US recovery from recession and weakening economic growth in Germany and Japan.

"We must emphasise the importance of growth at this point because most of the global problems ... would be more manageable if there is global growth," said the US official. These problems included the economic reconstruction of eastern Europe and Latin America, and German unification.

In a clear reference to tight German monetary policy, he said there was a need for a "global perspective" among those economic policymakers which appeared now to be concerned with purely domestic issues. The suggestion was that high German interest rates were keeping real – inflation-adjusted – interest rates at unusually high levels in other countries.

When the US first raised the issue, at an informal meeting of G7 finance ministers in London eight days ago, there was sympathy for the US stance from France and Italy while Japan appeared to remained neutral in the discussion.

However, the US position is strongly opposed by the UK, Germany and Canada which believe that the chief concern of international policy should remain the curbing of inflation, which will in turn spark economic recovery as real purchasing power is restored. They say experience shows the dangers of premature policy relaxation. British officials have reiterated this position forcefully even after the jump in UK unemployment reported last week.

Their fear is that the US stance is being taken for domestic political motives, as part of efforts to encourage the US Federal Reserve to ease interest rates to provide a firm economic backdrop for the run-up to the US presidential election in November next year. While the US is emphasising that it continues to desire low inflation, opponents worry that the US is once more raising the discredited notion of a trade-off between inflation and recession.

Background, Page 2

Baker denies US-Israel rift on peace talks

By Tony Walker in Cairo and Hugh Carnegy in Jerusalem

MR JAMES BAKER, US secretary of state, yesterday sought to counter reports that he was becoming impatient with Israel and was about to exert stronger pressure to secure its co-operation in his Middle East peace efforts.

Speaking after talks with Egyptian President Hosni Mubarak in Cairo, Mr Baker went out of his way to deny that he was pressing Israel for an immediate answer to his peace proposals. "We do not intend to press or obviously to pressure for an answer. We understand that it takes some time to consider the suggestions that we made," he told reporters.

But as the US official continued his tour of Middle East capitals, his third visit to the region in six weeks, there was little to indicate progress in his efforts to find common ground between Israel and the Arabs.

In Jerusalem, officials also played down reports of differences with the US and Mr David Levy, foreign minister, said Mr Baker would return to Israel this week for further talks.

Mr Ehud Olmert, health minister, said suggestions that the US and Israel were on the brink of a confrontation were "inaccurate and harsh".

Mr Baker last week pressed the Israeli government to accept terms for a proposed regional peace conference that went beyond those Israel was originally prepared to accept.

Israeli newspapers reported that the government would reject at least some of Mr Baker's suggestions. But Israel is loath to bring Mr Baker's mission to a halt.

It fears losing US backing at the United Nations if the Arab-Israel dispute was referred back to the Security Council. It is also afraid of jeopardising much-needed extra aid to help absorb a wave of Soviet Jewish immigrants.

Mr Yitzhak Shamir, Israel's premier, is said to be unhappy with suggestions that the UN and EC should play some role in the proposed regional conference and that the gathering itself should have a function beyond acting as a symbolic "opening" for negotiations between Israel and the Arabs.

Mr Shamir torpedoed a previous attempt by Mr Baker a year ago to advance peace efforts, by saying "no" to talks with representative Palestinians in Cairo. Israel's refusal to sanction the US-sponsored meeting caused serious friction with Washington.

Palestinian representation remains a big stumbling block to attempts to revitalise the peace process. Israel refuses to deal with the "terrorist" Palestine Liberation Organisation.

Mr Baker met Jordan's King Hussein in Aqaba on Saturday – the highest-level meeting between the administration and Jordan since the king swung his support behind Iraq early in the Gulf war.

Clearly delighted that the US was proposing to engage him in renewed peace efforts, the king told reporters: "I believe this is a milestone in relations between our two countries."

The US hopes Jordan can help provide "cover" for the presence of a Palestinian delegation at any peace conference involving Israel.

On Saturday, Mr Baker confirmed reports that Saudi Arabia and other Gulf states would not attend a regional peace conference. It had been expected that the Saudis would take part.

Syria, meanwhile, issued a hard-line statement on the eve of Mr Baker's return to Damascus for further talks. The official newspaper Tishreen said any efforts that were not based on UN resolutions calling for Israeli withdrawal from Arab lands and recognition of Palestinian rights would fail.

UK industrialists gloomy over economy

By Charles Leadbeater, Alan Pike and John Thornhill in London

MOST BRITISH industrialists do not expect economic growth to resume until the final three months of the year, and when the recovery arrives it will be very gradual.

That sober assessment of the economic outlook among leading industrialists will be confirmed this week by two gloomy business surveys.

The industrialists' prognosis – which has emerged from the season of company reporting for 1990 in recent weeks – was borne out by the mixed economic indicators of the past week, which suggest the economy is delicately poised between fragile recovery and continuing recession.

The first signs of a thaw in the housing market, with housebuilders reporting rising sales and faint glimmers of a recovery in the high street, were offset by a steep fall in bank lending for March and a record monthly rise in unemployment to more than 2m.

The Engineering Employers Federation will this week raise its forecast for job losses in the year ahead and predict that a discernible recovery will be delayed until the middle of next year. The Association of British Chambers of Commerce quarterly survey published this week will report a rise in business confidence offset by recent falls in output, home orders and investment among its 8,000 members.

The CBI's annual survey of innovation will show that almost 40 per cent of companies regard this investment in innovation as inadequate.

Manufacturers hope that a resurgence of US business confidence following the end of the Gulf war, combined with continuing growth in Germany, will help to lead the UK out of recession.

The FT-CBI distributive trades survey, published today, suggests a weak rally in trade may be under way, with sales in March above last year's levels. However, retailers are concerned the rally may have been caused by consumers seeking to beat the rise in VAT from 15 per cent to 17.5 per cent.

London continues to suffer, Page 6

US may seek UN approval

Continued from Page 1

with guarantees from the international community, preferably the United Nations.

Prince Sadruddin Aga Khan, the UN delegate in charge of the refugee programme in Iraq and Kuwait, called for "reconciliation and convergence" between the US desire for early withdrawal and the need for an effective police force to protect the Kurds.

The UN effort is centred on providing safe passage for the Kurds to enter refugee camps where they can be fed, sheltered and treated for disease. The next vital step was to encourage the Kurds to go home, said Prince Sadruddin.

He came close to hinting that the only country with the authority to persuade the Kurds to go home was the US, with its "thousands of troops and hundreds of helicopters". The alternative was to risk creating a permanent Kurdish refugee camp similar to the Gaza Strip, home of thousands of Palestinians.

Iran, meanwhile, voiced strong reservations about the involvement of western governments in the establishment of Kurdish sanctuaries in northern Iraq.

Mr Ali Akbar Velayati, Iran's foreign minister, said his country "disagreed" with the west's approach to the crisis. "If a region in Iraq is to be prepared for housing the refugees, we would prefer it to be under the supervision of the United Nations," he was quoted as saying by Tehran Radio.

Western car makers' plans for eastern Europe*

* Fiat already holds minority equity stake in Zastava, Yugoslavian car maker. Fiat is Soviet partner for 900,000 cars a year Yelabuga project

GM set to challenge Fiat in Poland

Continued from Page 1

FSO's antiquated assembly operation of the FSO 125, an outdated Fiat design which stems from a 1965 licensing agreement with the Italian group.

Previously the Polish car industry has been based on licensed Fiat designs with the production of the 125 and the Polonez hatchback at FSO in Warsaw and the Fiat 126 mini car at the FSM plant in Bielsko Biala, Silesia.

Fiat is already firmly entrenched at the more modern FSM plant, which begins production later this year of a new generation baby Fiat, the Cinquecento (500). About L1,000bn ($803m) has been invested for the development of the Cinquecento and for plant and equipment to modernise the FSM plant.

Last year, Fiat proposed to the Polish government a far-reaching plan to modernise and rationalise the Polish auto industry with:

- the creation of a holding company encompassing the operations of FSM and FSO, the two state car makers, in which Fiat would take the role of "strategic investor";
- the building of engine and gearbox plants;
- a licensing agreement for the assembly of the Fiat Tipo at the FSO plant in Warsaw.

It is understood, however, that elements in the Polish government and at FSO are keen to avoid domination of the domestic auto industry by Fiat and are keen to promote the talks with GM.

Mr Jack Smith, GM vice-chairman responsible for the US car maker's international operations, visited Warsaw last week for talks with FSO and the government.

The Polish car market totalled about 285,000 last year, and although sales are expected to fall to some 200,000 annually this year and next, GM forecasts the market could grow to about 400,000 a year by the end of the decade.

Kuwaiti opposition condemns cabinet changes

By Mark Nicholson in Kuwait City

KUWAIT's organised opposition groups yesterday condemned the emirate's new cabinet as "frustrating and disappointing", saying it indicated no will by the ruling al-Sabah family to cede any power.

Although there were 11 new faces among the 20 men sworn into the cabinet yesterday by Sheikh Jaber al-Sabah, the Emir, to replace the government which resigned four weeks ago, no opposition or resistance members appeared on the new cabinet roll.

Moreover, although the list contained fewer members of the al-Sabah family, those who did appear continue to hold the most powerful ministries.

Opposition groups, which have been calling for cabinet representation as a prelude to the establishment of full democracy in the emirate, were quick to condemn the new team.

"Kuwaitis will be frustrated and disappointed with this cabinet," Mr Isa Shaheen, spokesman for the Islamic Constitutional Movement (ICM), said yesterday.

"Despite the immensity of the disaster in Kuwait, it seems that nothing has happened as far as the government is concerned."

Nevertheless, the Emir did not turn a completely blind eye to Kuwait's post-liberation pressures for change in appointing his new cabinet – a process which appears to have been the subject of strong internal debate, given the four weeks it consumed.

He responded to widespread criticism of the government's handling of events leading up to Iraq's invasion by replacing the defence and foreign ministers, Sheikh Nawaf al-Sabah – who moves to the Social Affairs Ministry – and Sheikh al Ahmed al-Jaber al-Sabah, who have taken the brunt of popular charges of incompetence.

Equally, however, the Emir kept an al-Sabah hand on each key ministry by naming Sheikh Salem Sabah al-Salem, the former interior minister, as the new foreign minister and Sheikh Ali Salem al-Sabah as the new defence minister.

Sheikh Salem made himself unpopular with the opposition through his tough response to their pro-democracy rallies in early 1989. His replacement, meanwhile, was another al-Sabah, Sheikh Ahmed Hamoud al-Jaber.

The other significant change was the removal of Dr Rasheed al-Ahmeeri as oil minister after what is widely seen as his belated and inefficient action in dealing with the oil well fires. He was replaced by Mr Hamoud al-Rogba, formerly minister of electricity and water.

Although no opposition members appeared on the cabinet list, this came as little surprise to the anti-government groups which have emerged since liberation, most of whom recognised that the government was not going to accede to their conditions for joining the government.

These included the replacement of the entire cabinet and a firm government commitment to a date for elections to the national assembly, which was suspended in 1986. The Emir has promised only that elections will be held some time next year.

The organised opposition, including the ICM and Democratic Forum, a predominantly left-wing umbrella group, yesterday pledged to sustain their anti-government campaign by holding demonstrations both inside Kuwait and in European and Arab capitals housing large numbers of Kuwaiti exiles.

Their options, however, appear limited. "It's hard to see what levers they hold, apart from moral pressure and the denial of consensus," said one diplomat.

The government, meanwhile, appears set on a policy of wooing conservative Kuwaitis while promising longer-term reforms.

As one of a series of recent inducements to middle-class Kuwaitis, it has offered to cancel all consumer and housing loans, give free flights to returning Kuwaitis and grant KD500 ($1,790) to each Kuwaiti who stayed.

ERM Part Two, or Virtue Unrewarded

JOHN PLENDER

There was a time when Britain's entry into the exchange rate mechanism (ERM) could be satisfyingly rationalised in terms of 17th century drama. Former chancellor Nigel Lawson, with abundant locks and wayward monetary habits, was clearly the cavalier of the piece; Margaret Thatcher, the shocked puritan dame; and John Major, the roundhead from Huntingdon, the hero who led the charge for anti-inflationary virtue.

Unfortunately, something has gone wrong with the denouement. Not only is monetary virtue largely unrewarded at the opinion polls in the run-up to the local elections in May, but Mr Major's puritan credentials (and educational qualifications) are being questioned. Worse, vice has triumphed within the semi-fixed exchange rate system itself. As my colleague Anthony Harris pointed out here last week, the D-Mark threatens to join the French franc at the bottom of the currency grid, while the high-inflation cavaliers – Britain, Italy and Spain – are seeing their currencies propelled powerfully upwards. Where is the discipline, or rather virtue, in the system now?

The conundrum is not entirely new. And since many have difficulty grasping why the natural order in this morality play has been turned upside down it will do no harm to recapitulate some recent history. Last summer, when Mr Major was busily talking up sterling before Britain's entry into the ERM, it was widely recognised that putting cavaliers into a club run by puritans would result in a transitional problem. As long as the Bundesbank was perceived as a guarantor of price stability for the system as a whole, international investors would flock to the currencies of the weaker countries on the basis that the reduction or elimination of currency risk made their higher interest rates attractive.

The weak would thus come under pressure to relax monetary policy prematurely. But ultimately, after a blip or two, interest rates across the system could be expected to converge, in the same way that French and German rates had done, as a preliminary to wider economic convergence. The underlying assumption was that convergence would take place around a German norm.

That assumption suddenly looks more shaky in the light of turbulence in the Soviet Union, huge unemployment in the former East Germany, the mother of German fiscal deficits and a strong dollar. Even last year there was some worry that the Bundesbank's anti-inflationary zeal might be diluted on the way to European monetary union (EMU). Now there is an added internal threat arising from the battle over the composition of the Bundesbank's council.

Some fear that presidents of the new Länder banks in the east will be more susceptible to political pressure for looser monetary policy and that, if Bundesbank president Karl Otto Pöhl fails to win support from Chancellor Kohl for his plan for a smaller council, the influence of the men from Frankfurt will be weakened. In short, the market has a nasty suspicion that convergence might come about as much from the German rate of inflation moving up as the other members' moving down.

The resulting pressure on the D-Mark helps explain why

Exchange rate discipline is being built into expectations, though in a way that is tragically one-sided

the British have been able to reduce interest rates four times in two months and why any further rise in German rates is unlikely to be followed by the rest of the ERM. But that does not mean that the system no longer exerts any discipline. The dramatic rise in Britain's unemployment figures last week suggests that employers have grasped that the disparity between Britain's high unit wage costs and much lower costs in Germany can no longer be addressed through devaluation.

Exchange rate discipline is thus being built into expectations, though in a tragically one-sided way. Workers no more look at the ERM grid when they bargain over pay than they looked at sterling M3 in the monetarist experiment of the early 1980s (when the money supply was actually a more misleading indicator of the stance of policy than the exchange rate is now).

The other discipline that was not present in the early 1980s, or indeed earlier, was that of high, positive real rates of interest, which are now universal across the ERM. For over-borrowed British property companies that cannot restore profitability by sacking workers because they have no workers to sack, that implies that their finances will continue to deteriorate even if the property market stabilises. They and other heavy corporate borrowers are in a debt trap from which inflation no longer provides the exit that it did after the crash of the mid-1970s.

The escape routes have also been closed at a national level, most notably for Italy. A peculiarity of the Italian economy has been that Italy's penchant for high public spending has been financed much less by personal taxation, for which the citizens have a formidable aversion, than by borrowing; and the public sector's IOUs have been absorbed by an exceptionally thrifty personal sector on which the government was able to impose negative real returns thanks to exchange controls.

There was a certain efficiency to the arrangement, in that Italy avoided the high tax collection costs incurred by other countries. But it depended heavily on the inflation tax continuing to reduce or eliminate real borrowing costs. Now that has gone; the public sector's outstanding debt is larger than the country's own GNP; and there are additional problems with wage indexation. Small wonder Moody's, the rating agency, has just put Italy's triple A debt rating under review.

The irony in this particular *commedia* is that Italy should have been in the forefront of the drive for EMU when the state of its public finances poses one of the biggest obstacles to achieving EMU. But such ambivalence is the essence of dramatic tension. The curious thing is that the authors of the wider European monetary piece have no notion of how the inner contradictions of the ERM and EMU will be resolved in the final act. All we know for certain is that Karl Otto Pöhl is the one undisputed roundhead in the dra- Can he hold the line whe- cavaliers come over the h

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	16	61
Algiers	S	18	65
Amsterdam	S	11	52
Athens	C	17	63
Bahrain	S	26	79
Bangkok	F	36	97
Barcelona	S	15	59
Beirut	-	-	-
Belfast	F	9	48
Belgrade	F	15	59
Berlin	F	15	59
Biarritz	F	15	59
Bombay	F	32	90
Bordeaux	C	15	59
Boulogne	F	11	52
Brussels	F	12	54
Budapest	S	16	61
Buenos Aires	F	22	72
Cairo	S	31	88
Cape Town	S	19	66
Caracas	C	30	86
Casablanca	S	19	66
Chicago	-	-	-
Cologne	C	11	52
Copenhagen	F	10	50
Corfu	F	16	61
Dallas	-	-	-
Dublin	F	11	52
Dubrovnik	S	20	68
Edinburgh	R	9	48
Faro	S	21	70
Florence	S	21	70
Frankfurt	C	13	55
Geneva	C	11	52
Gibraltar	S	18	64
Glasgow	R	7	45
Helsinki	R	8	46
Hong Kong	C	23	73
Innsbruck	F	13	55
Inverness	R	9	48
Islamabad	F	31	88
Istanbul	F	10	50
Jakarta	R	30	86
Jersey	S	12	54
Johannesburg	S	16	61
Lima	C	25	77
Lisbon	S	17	63
London	C	12	54
Los Angeles	F	14	57
Luxembourg	C	9	48
Madeira	C	16	61
Madrid	S	17	63
Majorca	S	17	63
Malaga	S	18	64
Malta	S	19	66
Manchester	C	8	46
Manila	F	35	95
Melbourne	C	17	63
Mexico City	C	18	65
Miami	S	12	54
Milan	S	17	63
Montreal	F	-18	0
Moscow	C	8	46
Munich	C	13	55
Nairobi	F	26	79
Naples	S	20	68
Nassau	C	31	88
New Delhi	S	27	81
New York	S	-7	19
Nice	S	17	63
Nicosia	S	21	70
Oporto	S	17	63
Oslo	C	8	46
Paris	C	13	55
Peking	C	11	52
Prague	F	12	54
Reykjavik	F	1	34
Rhodes	F	17	63
Rio de Janeiro	-	-	-
Rome	S	18	64
Salzburg	F	14	57
San Francisco	F	9	48
Seoul	S	22	72
Singapore	F	31	88
Stockholm	F	13	55
Strasbourg	R	11	52
Sydney	C	22	72
Taipei	C	19	66
Tangier	S	20	68
Tel Aviv	S	26	79
Tenerife	S	20	68
Tokyo	R	14	57
Toronto	Sn	-10	14
Tunis	C	17	63
Valencia	S	22	72
Venice	S	18	64
Vienna	C	13	55
Warsaw	S	14	57
Washington	S	-6	21
Zurich	C	9	48

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Monday April 22 1991

INSIDE

McDonnell Douglas profits climb

McDonnell Douglas, the US aerospace group, posted strong gains in first-quarter profits, helped by a sharp increase in jetliner deliveries and cost-cutting. All three of the group's aerospace businesses contributed to the improvement in net income for the three months to the end of March 31 of $58m or $1.50 a share against $2m or 5 cents a share the previous year. **Page 27**

All eyes focused on MGN

Mr Robert Maxwell dominated much of the financial news last week with the launch of the "pathfinder prospectus" for Mirror Group Newspapers' flotation, so it was hardly surprising that attention in the syndicated loan market focused on the loan facility which has been arranged for the new group. The £150m ($268.5m) three-year facility was over-subscribed two-fold, partly because banks see MGN as profitable. **Page 29**

Spotlight on sterling bonds

Enthusiasm among borrowers in sterling has grown as the UK currency's position within the European exchange rate mechanism has looked more secure. So far this year £4.9bn ($8.8bn) of non-government sterling bonds have been sold in the international and domestic bond markets, against £5.7bn during the whole of 1990. This flow has been supported by renewed international demand as overseas investment institutions have increased portfolio exposure to sterling. **Page 29**

Kick-off to a tough goal

While Manchester United's players prepared for their appearance in yesterday's League Cup final at Wembley football stadium in London the head of the business had a set of even tougher fixtures. Mr Martin Edwards (left), chief executive and holder of just over 50 per cent of the shares, came to the City of London last week to seek support for Manchester United plc's flotation next month. **Page 26**

Market Statistics

Companies in this section

Reuters plans joint venture into telecoms

By **John Hunt** in London

REUTERS, the international information technology group, is holding talks with Thames Water and STC, the British telecommunications group, about the possibility of forming a network to transmit Reuters financial information to clients in the City of London.

The new telecommunications company would provide a challenge to British Telecom and to Mercury, the Cable and Wireless subsidiary, which are used by Reuters to transmit information to its City clients.

Expansion into other markets, such as Tokyo and New York, would be a logical next step if a London operation proved a success. However, Reuters declined to discuss such a move.

A spokesman for Reuters yesterday confirmed that exploratory talks had taken place with Thames and STC but said that they were still at an early stage and no decision had been taken.

"It would be to form a network primarily to provide information to Reuters' clients within the metropolitan area," he said.

He said that any challenge to BT and Mercury would only come once a decision had been reached. "We are far from that stage yet."

Reuters wishes to take full advantage of the newly liberalised telecommunications market. In the new company Thames would provide the sewer pipelines through which fibre-optic cables could be laid to provide the network.

STC, which was bought late last year by Northern Telecom of Canada, would provide technical expertise and Reuters the clients and the knowledge of the financial information market.

The new regime in telecommunications has prompted several outsiders to enter the market. Last week it was announced that British Waterways, the public utility which runs the UK canal system, had lined up with US Sprint, the third-largest US long-distance telecoms carrier, to provide an alternative long-distance network in the UK.

The newly privatised electricity supply industry is also considering entering the market.

British Rail earlier announced plans to lay cables alongside its tracks.

Lord Aldington in libel costs deal

By **John Hunt**

SUN ALLIANCE insurance company, the UK's biggest household insurer, will disclose in its annual report and accounts today that it has given an interest-free loan, estimated at £500,000 ($895,000), to Lord Aldington, its former chairman. The loan is to cover the legal costs of his nine-week libel case against Count Nikolai Tolstoy in 1989.

The directors justify the decision on the grounds that the case arose from his duties as the company's chairman.

Earlier this month Sun Alliance reported a 1990 loss of £181m due to claims arising from bad weather and the recession.

The loan to Lord Aldington is repayable if he recovers costs. The legal bill has been estimated at £500,000 plus other expenses of about £100,000.

The company says that Mr Nigel Watts, a Kent Property developer and a co-defendant in the libel action, had claimed that Sun Alliance wrongly refused to pay a £50,000 accident policy after his brother-in-law died in 1975.

At the trial Lord Aldington's counsel said there had been a "disgraceful campaign" to force Sun Alliance to reverse its decision over the insurance claim.

The court was told Mr Watts had circulated 10,000 copies of a pamphlet, written by Count Tolstoy, attacking Lord Adlington's war record.

It alleged that as a senior officer in Austria at the end of the second world war he repatriated thousands of Cossacks and anti-Tito Yugoslavs to the Communists knowing they faced torture and death.

At the end of the trial Lord Aldington, a former deputy chairman of the Conservative party, was awarded record £1.5m damages plus costs but neither Count Tolstoy nor Mr Watts were able to pay that sum.

Process plant contractors are confident that the latest crisis in a history of booms and busts is behind them

Industry with changes in the pipeline

By **Andrew Baxter** in London

WHEN Davy, Britain's biggest independent process plant contractor, was pushed into selling its German process operations last month, the transaction was a sharp reminder of the risks inherent in the business.

The sale was triggered by Davy's disastrous £120m ($214.8m) contract to build Emerald Producer, an oil production platform on which it has already made provisions for losses of £70m.

Process plant contracting – designing and building everything from chemical and pharmaceutical plants to oil rigs and refineries – has always been risky.

If all goes well with a contract, the profit margin is likely to be between 3 and 5 per cent; if things go wrong, the contractor can end up losing 25 per cent of the value of the deal or more.

Despite these risks – graphically illustrated by Davy's problems – UK-based process plant contractors are confident that the latest crisis in a long history of booms and busts is behind them.

While other sectors of the economy flourished from 1982 to 1987, markets for big plants were battered by collapsing oil prices, the Iran-Iraq war and the Third World debt crisis.

Now the boot is on the other foot. The UK-based contracting industry, the world's biggest after the US, is watching its counterparts in manufacturing suffer.

"That's a reflection of the different cycles on which these sorts of investments are made," says Mr Michael Milner, director of the British Chemical Engineering Contractors Association.

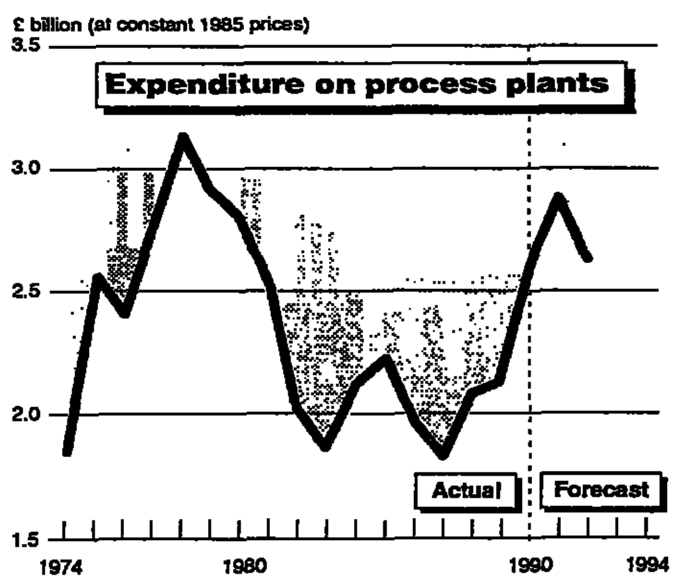
"Home office" employment in the UK – designers, managers and other staff but excluding employees on UK sites – has risen from 14,000-15,000 at the low point for the industry's fortunes in the mid-1980s to about 22,000, in line with the last boom at the end of the 1970s.

In an industry which depends crucially on its people skills this is a good indicator of business conditions. The upturn has been spurred by increased orders from North Sea clients and – until recently – from the petrochemical industry, and by worldwide demand for pharmaceutical plants.

The UK outlook remains patchy. Earlier this month the Chemical Industries Association forecast a 14 per cent fall in new capital spending in 1991-93 compared with 1988-90.

But a wave of rationalisation, changes in ownership and cross-border link-ups over the past decade have created a much stronger, more international industry.

Two of the five biggest players in the UK – John Brown and Matthew Hall, ranked numbers four and five – are owned by broad-based publicly-quoted UK companies, Trafalgar House and Amec. The two biggest, Bechtel and Foster Wheeler are of US ownership and origin, and Humphrey & Glasgow, number three, is US-owned but of UK origin.



The UK industry is attempting to protect itself from downturns by following a three-pronged strategy, leading in each case towards collaboration deals or acquisitions:

● Gaining access to new markets. The most important is continental Europe, where acquisitions are necessary to compete against entrenched local companies such as Technip of France and Italy's Snamprogetti.

Last month Amec, the engineering and property group which owns Matthew Hall, announced the FFr110m (£10.9m) purchase of a 20 per cent stake in Serete, France's leading independent design engineering and construction management group.

Amec was following in the footsteps of John Brown, Britain's leading engineering contractor. Over the past decade, John Brown has considerably expanded its European presence, notably through its 49 per cent stake in Sofresid, the second biggest French process plant contractor.

Other deals are in the pipeline. Humphreys & Glasgow International, part of the US company Enserch since 1983, and a venerable name in UK process plant contracting, is looking at a joint venture in Czechoslovakia.

● Broadening the technology base.

In 1989 John Brown, probably the world's leading polyethylene plant contractor, bought Chemetics, a processing systems specialist, from ICI, and is now looking at another similar deal, says Mr Allan Gormly, managing director. "As a matter of deliberate policy, we are starting to increase our portfolio of proprietary processes," he says.

For every takeover there are dozens of working arrangements that often begin with a particular contract and develop into long-term collaboration. "The way we get into Europe is by collaboration," says Mr Frank Hart, H&G's managing director. "Someone like us says to Lurgi (of West Germany) 'You've got some technology which we can use in the UK, can we work together?' or vice versa."

These deals have put the UK contractors roughly in the middle of the world industry in technology terms – they have more proprietary processes than the large US contractors but fewer than the more specialised German companies.

● Searching for finance. UK companies feel they are at a disadvantage in arranging export credit for deals. "The UK is now applying criteria for creditworthiness that were being thrown out of the window in the 1960s and 1970s," says Mr Hart.

The solution is to take the search for credit elsewhere. Mr Hart is talking seriously to Japanese suppliers with readier access to financing. "To make a project work you need reputation, technology and finance," he says.

Such finance opens the door to opportunities in the promising Asia-Pacific region. Faced with competition there from a growing number of competent indigenous plant builders, UK contractors have a competitive weapon in their relatively balanced range of technologies.

Another potentially promising market, eastern Europe, poses different problems. UK-based groups feel they will find it hard to make an impact in eastern Germany, because Lurgi and Uhde, the two best-known German contractors, are owned by Metallgesellschaft and Hoechst, both of which intend to invest heavily in the east.

Elsewhere in eastern Europe, contractors face the problem of wondering who to talk to now that centralised purchasing has collapsed.

In coming years, UK contractors are likely to move design work abroad to get closer to the local contractors with which they will have to co-operate in Asian markets.

Despite its problems, Davy has made as much progress as any of its rivals in preparing for these changes. Where it can, it is moving detailed design and engineering work to its Indian affiliate Davy Powergas, and in February it inaugurated a South Korean joint venture, marrying its process technology and project management with Shinwa Engineering's detailed engineering, procurement and construction skills.

The company's share price, at 134p is less than half its peak in July 1989 – but double the fire-sale 65p it reached last November. Spie-Batignolles, the big French construction company, owns 14.5 per cent of Davy, and close to another 20 per cent is in the hands of three big institutional investors.

The increasing cost of bidding for contracts and the need to share development spending will lead to a continuing consolidation in the industry. Davy's misfortunes, coupled with this industry trend, make it increasingly likely that the company's days as an independent contractor are numbered.

Economics Notebook

A challenging descent from heaven

WHEN Mr Detlev Rohwedder – assasinated head of the Treuhand agency charged with privatising East German industry – resigned as state secretary of the German Economics Ministry in 1980, he left to run a steel company.

As announced last week, Sir Peter Middleton, who is resigning as permanent secretary of the UK Treasury next month, will move to the City of London as a director and deputy chairman of the Barclays Bank group and to head Barclay's newly-formed markets and investment banking division.

Once in the Square Mile, he will be rubbing shoulders with other ex-Treasury knights. Sir Geoffrey Littler, one of Sir Peter's former deputies, was appointed last week to be chairman of NatWest Investment Bank. Sir Douglas Wass, Sir Peter's immediate predecessor as permanent secretary, is co-chairman of Nomura International.

The amakudari, or "descent from heaven", of these eminent gentlemen will doubtless gild their final working years. But what does it tell us about Britain, and is it good news for the country?

Just as Downing Street was announcing Sir Peter's departure from the Treasury, the Confederation of British Industry reported a sharp fall in industry's research and development since 1988. The report showed that industry-funded R&D in Britain, in proportion to output, was about half Japanese and German levels.

The coincidence of these two news items gives powerful backing to an argument put forward earlier this year by Mr Walter Eltis, the director general of the National Economic Development Office*, to the effect that Britain's poor investment record in manufacturing and fragile international competitiveness can be partly linked to too great a concentration of national effort in the areas of finance and banking.

Walter Eltis

Sir Peter Middleton

Mr Eltis cited figures showing that investment in financial services in Britain rose 313 per cent in volume terms between 1979 and 1990 while investment in manufacturing barely rose at all. In the 11 years, financial sector investment as a share of total investment in plant and machinery rose to 29.4 per cent from 11.7 per cent.

But while the UK had put a "great many eggs into the financial basket", the recent history of UK banking had exposed miscalculations and weaknesses such as the catalogue of loss-making decisions at the Midland Bank.

Mr Eltis concluded that excessive inflation, poor real rates of return and a pro-housing bias in the UK's financial institutions had also crimped investment. But "the impact on the direction of investment of an apparently hyper-profitable City, the superiority of which now appears in part illusory" was a factor.

Worryingly, Mr Eltis suggests that the recent woes in UK banking and insurance cast doubt over the ability of Britain's financial sector to reap the promised harvest of the European single market. It will be up to Sir Peter Middleton and the other mature madarins who make a bee-line for the City to prove him wrong.

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A bias in favour of finance is not an exclusively British preserve. When Mr Jacques Attali, the president of the European Bank for Reconstruction and Development, sought a vehicle to turn his vision of a united European economic area stretching from the Urals to the coast of Portugal into reality, he thought of a bank.

At last week's inauguration of the EBRD in London, there were plenty of people suggesting that a better way of helping eastern and central Europe move to democracy and develop the market economy would be for the west to lower trade barriers to products in which the former communist countries have a comparative advantage.

In Washington last week, the Czechoslovak foreign minister Mr Jiri Dienstbier was giving the same message to President George Bush.

The progress being made towards reaching association agreements between the European Community and Hungary, Poland and Czechoslovakia shows that the EC is responding to these pressures. In London last week, Mr Henning Christophersen, an EC Commission member, acknowledged that the former communist states "had no real economic prospects" without free access to the industrial world's markets.

This view was echoed by Mr Attali, who said the EBRD would prepare a strategy for opening up trade relations between east and west. What this would entail was unclear, however. Like much else concerning the business operations of the EBRD, it is a question of wait and see.

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Is the Organisation for Economic Cooperation and Development ripe for expansion? A South Korean delegation will visit the OECD this week for talks about joining the 24-nation Paris-based economic think tank of industrialised countries.

Mexico is also a likely candidate, while several east European countries have also expressed an interest in joining.

New members are only admitted to the club with the unanimous agreement of existing members. South Korea's human rights record could pose problems. But it is a member of the EBRD which has the promotion of pluralism and democracy among its goals.

**In "The State of the Economy 1991", published by IEA, 2 Lord North Street, London SW1P 3LB at £9.95.*

Peter Norman

Bill aims to ease US swaps

By **Our Financial Staff**

A BILL passed last week by the US Senate on the reform of the futures markets will remove significant legal uncertainties for the huge market in interest rate and currency swaps, according to the International Swap Dealers Association.

The legislation, which will allow swaps to be exempted from the provisions of the Commodity Exchange Act, "will benefit users of swaps and swap dealers by removing legal uncertainty," according to Mr Mark Brickell, the association's chairman.

Swaps are agreements to exchange cash flows. They are usually entered into by companies, banks or governments to regulate their exposure to movements in exchange or interest rates.

The association said it lobbied for three years to be exempted from the act, which requires the trading of commodities on exchanges. The association claims that this requirement has, in the past, pushed significant swap activity to offshore markets.

After the bill is enacted and swaps exempted from the act, dealers would be able to develop new swap products and risk reduction techniques, the association said in a statement.

The bill will now move to a conference of the Senate and the House of Representatives before enactment. Its easy passage of the Senate was an "important step", the association claimed.

The bill, which was 2½ years reaching the Senate floor, tightens trading rules on futures exchanges and strengthens the Commodities Futures Trading Commission.

Sale Tilney moves to staunch losses from UK food side

By Steve Thompson

SALE TILNEY, the mini-conglomerate whose businesses cover the manufacture and distribution of engineering products, the importing, processing and distribution of foods, and insurance broking, has moved quickly to staunch the losses from its UK food operation.

It has brought in a new head for that division, appointing Mr Roger Begy to lead the foods subsidiary, Peabody Foods.

That subsidiary was almost entirely responsible for the Sale Tilney group pre-tax losses, reported last month, of £9.6m for the year ended to November 30 1990. It accounted for £9.08m, after taking in exceptional provisions of £5.07m.

Mr Begy's is the first senior appointment at Sale Tilney made by Mr Andrew Coppel, the company chief executive who was appointed in October last year. He is viewed as the key figure in returning Peabody to profitability.

A food industry specialist, Mr Begy moves to Sale from Berisford International where he was deputy managing director of Bristar, the food and ingredient division.

Previously he headed a major marketing reorganisation of British Sugar's industrial sugars division, and then became executive director of sales and marketing at British Sugar.

Other senior management changes are expected shortly at Sale Tilney where Mr Coppel, formerly finance director at Ratners, the high street jewellery chain, is in the process of rebuilding the main board.

Sage rights issue success

SAGE GROUP, the Newcastle-based computing services combine which is spending £9.5m to buy DacEasy, a US-based accounting software company through a combination of £3.5m cash and a 1-for-5 rights issue at 200p a share, said that some 98.8 per cent of the shares had been taken up by existing shareholders.

DacEasy's ultimate owner, the Insilco Corporation, recently filed for protection under the provisions of the US bankruptcy code, but contrary to our report on Friday DacEasy itself is not in loss. Last year it made a $2.15m pre-tax profit on sales of $15.5m.

Headline for market with £11m valuation

By Michiyo Nakamoto

HEADLINE Book Publishing is coming to the main market by way of a placing of 5.73m shares which will raise about £4.8m net of expenses.

Mr Tim Hely Hutchinson, managing director, said the listing should help Headline to attract more prominent authors and enable it to take advantage of any acquisition opportunities that might arise.

Proceeds of the placing – including 5.25m shares by the company – will go towards reducing borrowings and financing further growth. The market capitalisation of the group, at the placing price of 100p per ordinary share, will be £11.1m.

Headline was founded in 1986 by four of the present directors. Pre-tax profits for 1990 rose from £313,000 to £637,000, after a loss of £115,000 in 1987, the first full year of trading. Sales have grown from £1.59m in 1987 to £5.26m in 1989 and to £8.34m last year. Earnings per share were 6.9p.

The group publishes popular books in both hardback and paperback. The principal authors include Mr Dean R Koontz, the horror writer, Mr David Morrell, the creator of Rambo, and Ms Ellis Peters, the writer of medieval detective stories.

A fixture that sets even tougher goals

Manchester United prepares for its stock market kick off. Jane Fuller reports

WHILE Manchester United's players prepared for their appearance in yesterday's Rumbelows League Cup final at Wembley, the head of the business had a set of even tougher London fixtures.

Mr Martin Edwards, chief executive and holder of just over 50 per cent of the shares, came to the City last week to seek support for Manchester United plc's flotation next month.

He was expecting a mixed reception, not surprisingly when Tottenham Hotspur, the only football club on the main market, has its shares suspended pending refinancing or a takeover.

Mr Edwards's message is that Manchester United is different.

Although he shies away from analysing the Tottenham debacle, the contrast is as visible as Paul Gascoigne's tears:

- Tottenham floated to relieve debt, United has cash.
- Tottenham lost a lot of money by diversifying into clothing, United swears it will stick to what it knows.
- Tottenham has suffered from a part-time approach to management, United claims to be more professional.

United has, for example, sought the services of Professor Roland Smith, chairman of British Aerospace and a prolific holder of directorships, as non-executive chairman.

In hunting for a finance director, it is said to have laid far more stress on professional rigour and public company experience than on the wearing of a red and white scarf.

Mr Edwards, a board member since 1970, succeeded his father as the club's head in 1980 after running the retail side of the family meat business. He has run the club full-time and looks more like a sober northern businessman than a footballer manqué: not for him the coiffed hair, Riviera tan and tendency to call women "sweetheart".


Martin Edwards: United's chief executive and holder of some 50 per cent of the shares

Trevor Humphries

His conservative demeanor should help with a sale of shares that aims to raise about £17m, valuing the company at between £35m and £40m. In the process, the directors' holding is set to come down from 76 per cent to less than 40 per cent and Mr Edwards will receive several million pounds. He is coy about what he will do with the money, other than paying off the debt run up to build his stake. About £7m should come to the club through the sale of new shares.

The expected value placed on United is way ahead of the £20m tag attached to the abortive 1989 takeover offer by Mr Michael Knighton, a property dealer.

Mr Edwards said the new investors apparently had additional funds available to complete Old Trafford's redevelopment, but the deal was called off when doubts arose about the ultimate destination of the shares.

This time the proposal is to go to the stock market to raise about half the £12m-£13m needed to rebuild the Stretford End. Apart from fulfilling the Taylor report requirement on all-seater stadia, the project will complete United's complex of restaurants, executive boxes and bars. Work is set to start in 1992 and be finished by August 1994.

United has picked an ideal time to present its figures and forecasts. It happens to be in the middle of two excellent years of profit growth. Substantial increases in revenue from cup runs, price rises and TV fees are coinciding with a comparative lacuna in spending on facilities and players.

In 1989-90, a profit of £2.1m (£1.8m) was knocked back to a pre-tax loss of £3.1m by spending on players. This year, which ends on July 31, profit before tax and transfer fees is forecast to reach £5.5m with between £500,000 and £800,000 coming off for transfers. Mr Edwards reckoned about a third of the £5.5m could be attributed to cup runs.

For next year, United and its merchant bank Henry Ansbacher have been working on the likely "core profit", based on league games and the first round only of domestic cup competitions. The pre-tax figure they have arrived at is at least £5m, a near 40 per cent increase.

Mr Edwards says this will be helped by two extra home games from an enlarged first division and by price rises. Over two years the gate revenue from each home match, which attracts an average of 44,000 people, could rise from about £260,000 to £400,000.

Assuming a normal tax charge of 35 per cent and 12.5m shares, earnings per share on a "core" £5m would be 26p. If the flotation price was 300p, the prospective p/e would be 11.5, bang in line with the leisure sector.

The figures also suggest that United's resources would be sufficient to cover the £4m it must find for the Stretford End development, after a £2m grant from the Football Trust.

But what of the transfer-fee drain? Mr Alex Ferguson, team manager since 1986, has spent at least £13m on players, offset by about £8m sales. The club was, nevertheless, cash positive in July 1990.

Ansbacher says one way to smooth out the impact is to have a reserve fund to which money is transferred below the line. It would be fed from "non-core" money made in cup competitions.

Tottenham's method of putting players on the balance sheet and depreciating them is not favoured. Working out the potential residual value of a human has its complications, and United was also wary of possible changes in rules governing transfers.

Mr Edwards said United would try to limit the expense of team building by bringing on more of its own players. But following two seasons of cup success, he could also relate the investment to considerable extra earnings.

It all sounds hunky dory, but the uncertainty of such runs is reflected in their exclusion from core profit. And to present a steadier picture, Mr Edwards draws attention to the less glamorous revenue from catering and souvenirs.

For the sport's sake, the hope is that United will at long last show that football can be a sound investment, laying to rest some of the ghosts raised by Tottenham.

Marketchief loan restructure

By Vanessa Houlder, Property Correspondent

ONE OF the biggest property restructuring packages in recent times has been arranged between Barclays and Marketchief, the consortium that took over Imry Merchant Developers for £314m in July, 1989.

Mr Stephan Wingate, chairman of Marketchief, said that Barclays had agreed to take "a medium/longterm view" of the £200m loan that was originally expected to be paid back from the sale of Imry's investment assets.

In its first year, Marketchief made disposals of about £100m but stopped when the property market deteriorated. "Everyone agreed that it was not sensible to sell," said Mr Wingate.

He said the package did not involve disposals until prices improved or a moratorium on development. Selling at current prices was, he said, "out of the question".

In addition to the Barclays loan, the original deal was financed by Eagle Star, Prudential Bache, Mr Wolfgang Stolzenberg, a Canadian investor, and by Mr Wingate's own vehicle, Development & Realisation Trust. DRT has already written off its £1.25m investment.

Imry Merchant is perhaps best known for erecting an office block on top of Shakespeare's Rose Theatre in Southwark.

THF offshoot expands

GARDNER Merchant, the international catering arm of Trusthouse Forte, the hotels and leisure group, has established itself as the second largest contract caterer in Australia following its cash purchase of Rowland Commercial Catering, writes Steve Thompson.

It is paying an initial A$6m (£2.6m), plus a further performance-related amount over the next three years, for the Australian company.

Gardner moves into second place in contract catering after Nationwide Catering, by far the biggest of Australia's contract catering businesses. The acquisition of Rowland will increase Gardner's contracts to 125.

Rowland employs over 1,000 personnel and has well-known corporate clients including Shell, ICI and Coles Myers. It operates restaurants in the Sydney Opera House and the Art Gallery of New South Wales.

Gardner has made rapid strides in Australia's contract catering industry since its initial entry in 1988, when it bought Imperial Food Services in Melbourne.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
General Re (US)	Royal RE (UK)	Reinsurance	est £100m	Continues UK withdrawal from sector
Hewlett-Packard (US)/ Hindustan Computers (India)	Joint venture	Computers	n/a	HP takes 26 per cent stake
Tate & Lyle (UK)	Bundaberg Sugar (Australia)	Sugar Production	£142m	Tate increases bid 10 per cent
ILVA (Italy)	Cookson Plibrico International (UK)	Furnace linings	£23.7m	Major part of ...
Cookson (UK)	Metacon (Switzerland)	Steel casting	n/a	... Cookson reshuffle
Vesuvius Italia (UK/Italy)	Unit of Sanac (Italy)	Slide gates	n/a	Another Cookson move
Halma (UK)	Tradinco Instrumenten Apparaten (Holland)	Electronic instruments	£2.6m	Complements existing interests
Nestle (Switz)/BSN (France)	Joint venture	Food	n/a	Duo want stake in Cokoladovny
Trelleborg (Sweden)	Unit of Monarch (US)	Solid industrial tyres	n/a	Trelleborg says it's world's biggest
Solvay (Belgium)/ Wienerberger (Austria)	Unit of Orbitaplast (Germany)	Polyethylene pipes	n/a	East German buy

Source: FT Mergers & Acquisitions International

Jenbacher has 29.9% of Telfos

An extraordinary general meeting of Telfos, the troubled railway engineering company, has approved the subscription for 12.3m shares by Jenbacher Werke.

The purchase takes the stake held by the Austrian maker of rolling stock to 29.99 per cent.

Dr Norbert Froemmer and Dr Bernhard Ebner are to join the Telfos board as Jenbacher's representatives.

As planned, following the completion of the capital injection, Mr Stephen Cockburn is stepping down as chairman and a director and Mr Douglas Morton has been invited to act as chairman.

BASE LENDING RATES

	%		%		%
ABN Bank	12	Comm. Bk. of London Plc	12	McDonnell Douglas Bank	12
Adam & Company	12	Co-operative Bank	12	Midland Bank	12
Allied Trust Bank	12	Coutts & Co	12	Mount Banking	12
AIB Bank	12	Cyprus Popular Bk	12	Nat Bk. of Kuwait	13½
● Henry Ansbacher	12	Dunbar Bank PLC	12	NatWestminster	12
B & C Merchant Bank	12	Duncan Lawrie	12	Northern Bank Ltd	12
Bank of Baroda	12	Equatorial Bank plc	12½	Nykredit Mortgage Bank	12½
Banco Bilbao Vizcaya	12	Exeter Bank Limited	12½	Provincial Bank PLC	14
Bank Credit & Comm	12	Financial & Gen. Bank	12	Roxburghe Bank Ltd.	13½
Bank of Cyprus	12	First National Bank Plc.	15	Royal Bk of Scotland	12
Bank of Ireland	12	● Robert Fleming & Co.	12	● Smith & Williamson Secs.	12
Bank of India	12	Robert Fraser & Ptnrs.	12½	Standard Chartered	12
Bank of Scotland	12	Girobank	12	TSB	12
Banque Belge Ltd	12	● Guinness Mahon	12	Unibank plc	12
Barclays Bank	12	● Hambros Bank	12	● United Bk of Kuwait	12
Benchmark Bank	12	Hampshire Trust Plc	13½	United Mizrahi Bank	12½
Brit Bk of Mid East	12	Heritable & Gen Inv Bnk.	12	Unity Trust Bank Plc	12
● Brown Shipley	12	● Hill Samuel	12	Western Trust	12
CL Bank Nederland	12½	C. Hoare & Co.	12	Westpac Bank Corp.	12
● Charterhouse Bank	12	Hongkong & Shanghai	12	Whiteaway Laidlaw	12
Citibank NA	12	● Leopold Joseph & Sons	12	Yorkshire Bank	12
City Merchants Bank	12	Lloyds Bank	12		
Clydesdale Bank	12	Meghraj Bank Ltd	12		

● Members of British Merchant Banking & Securities Houses Association.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.04.91: Pool purchase price £/MWh	Final Prices for Trading on 24.03.91: Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

[illegible] ... is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.04.91: Pool purchase price £/MWh	Final Prices for Trading on 25.03.91: Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

[illegible] ... England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

COMPANIES AND FINANCE

McDonnell Douglas profits take off

By Karen Zagor in New York

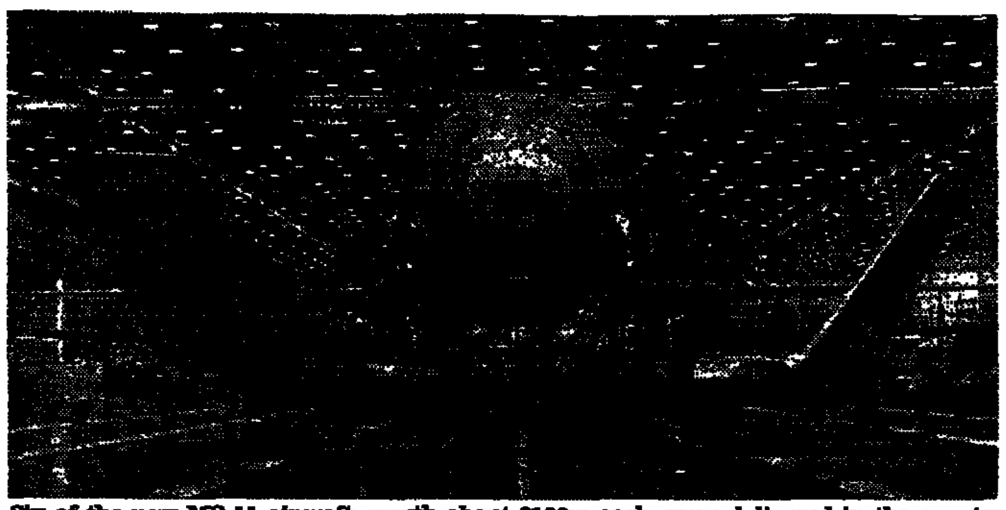
A SHARP increase in jet airliner deliveries and the benefits of cost-cutting measures helped McDonnell Douglas, the US aerospace group, to post strong profit gains in the first quarter to March 31.

All three of its aerospace businesses contributed to the improvement in net income to $58m, or $1.50 a share, against $2m, or 5 cents a share, the previous year. Revenues rose 13 per cent to $4.32bn from $3.83bn.

The company, the largest US defence contractor, had earnings from continuing operations, before income taxes, of $99m compared with a loss of $11m a year ago.

During the first three months of 1991, McDonnell Douglas delivered 31 MD-80 aircraft, six more than in the same period in the previous year, and six of its first nine new MD-11 aircraft.

Lower expenses and improved performance at McDonnell Douglas's combat aircraft business helped the unit report income of $137m in the first quarter against $104m a year earlier in spite of a 20 per cent decline in revenues to $1.35bn from $1.68bn.



Six of the new MD-11 aircraft, worth about $100m each, were delivered in the quarter

The lower revenues were attributed to the government's decision to cancel the A-12 attack aircraft programme after the cost went over budget. McDonnell Douglas took a $350m pre-tax provision in the fourth quarter to cover the Pentagon's decision to scrap the programme.

During the first quarter the company reduced its workforce to 115,482 from 131,097 a year earlier, reflecting the impact of the cancelled A-12 programme and efforts to cut costs.

McDonnell Douglas has been struggling under a stretched balance sheet, a heavy capital spending programme, sharp reductions in Pentagon spending and a troubled civil aircraft division.

It recently cut its quarterly dividend from 70.5 cents to 35 cents a share.

McDonnell Douglas's transport aircraft segment had operating earnings of $11m compared with a loss of $84m in 1990.

The company's missiles, space and electronic systems operations had income of $40m compared with $13m a year ago.

3M shows first decline in earnings since 1985

By Karen Zagor

THE IMPACT of recession in the US and slower growth abroad was reflected in the first-quarter results of Minnesota Mining & Manufacturing (3M), the diversified US manufacturer, which yesterday reported its first decline in quarterly earnings since 1985.

For the three months ended March 31, 3M returned net income of $300m, or $1.37 a share, against $335m or $1.51 the previous year.

Mr Allen Jacobson, the chairman, said that although results should improve in the second half, an increase in earnings this year was not certain. "Much will depend on the degree of economic recovery and the value of the US dollar," he added.

Looking ahead, 3M sees no sign of economic improvement and expects the pressure on profits to continue in the second quarter.

A sharp downturn in 3M's Brazilian business reduced earnings by about 9 cents a share in the 1991 quarter. However, favourable currency translations added about 13 cents a share to first-quarter earnings and a lower tax rate added another 3 cents a share.

Wall Street had expected a weak quarter, but the results were somewhat weaker than anticipated.

Mr Jacobson said profit margins were squeezed in the 1991 quarter by the combination of lower product demand and strong price competition. During the latest quarter, 3M had sales of $3.38bn compared with $3.16bn a year earlier. Unit sales in the US rose 2 per cent, while overseas unit volume grew about 5 per cent.

GAN slips as claims mount

By William Dawkins in Paris

GROUPE des Assurances Nationales (GAN), the third largest French state-controlled insurer, has announced a 4 per cent net profits fall, a slightly smaller drop than forecast.

Net earnings fell to FFr2.4bn ($416m) last year, from FFr2.5bn in 1989, a decline which GAN attributed to high disaster claims from storms at the start of the year, plus a lower contribution to net profits from Groupe CIC, its banking division.

Despite having to pay out FFr431m for storm damage claims, net profits from GAN's insurance activities rose from FFr1.8bn to FFr1.9bn.

Premium income climbed by 22 per cent to FFr33.5bn from FFr27.5bn, led by the life insurance business, which achieved strong growth.

Spanish oil refiner buys rival from Elf Aquitaine for Pta38bn

By Peter Bruce in Madrid

CEPSA, Spain's second largest oil refiner, has bought its smallest domestic rival, Ertoil, from Elf Aquitaine for Pta38bn ($355m).

As part of the deal, Elf is to raise its stake in Cepsa from 25 per cent to 33 per cent.

This will make it the second largest shareholder after the big Spanish commercial bank, Banco Central, which has 35 per cent of Cepsa and controls its management.

Ertoil was sold in January to a secretive Elf intermediary for Pta46bn by its former owners, Ercros, the chemicals group ultimately controlled by the Kuwait Investment Office.

In addition to the Pta38bn Cepsa has agreed to pay, the company could also pay an extra Pta9bn if current due diligence procedures revalue Ertoil and demonstrate as yet undeclared profits.

The purchase gives Cepsa about 25 per cent of Spanish refining capacity, although it still remains well behind the sector leader, Repsol.

The agreement marks just the latest in a spate of large French investments in Spanish industry and finance and is the first big stake taken in a Spanish refiner by one of the big Western oil multinationals. The Abu Dhabi oil producer, IPIC, owns 10 per cent of Cepsa.

Meanwhile, it was being strongly suggested last week that the country's other main refiner, Petromed, might be sold off to a foreign oil group by its owner, Banco Español de Credito (Banesto).

The bank's reserves have fallen close to their permitted level of 8 per cent of assets after taking a large charge on last year's results.

The resale of the Ertoil assets to Cepsa was not unexpected, as each Spanish refiner is being given a large string of service outlets, in proportion to refining capacity, owned by the state-controlled monopoly distributor, Campsa, which is being broken up.

The move will mean Elf products will have unfettered access to at least a quarter of Spanish service stations.

Square D falls 44% to $15.3m

By Barbara Durr in Chicago

SQUARE D, the Illinois producer of industrial control and electrical distribution products and services fighting a takeover bid by Groupe Schneider of France, reported first-quarter net earnings of $15.3m, or 60 cents per share, a sharp drop of 44 per cent compared with last year's $27.1m, or $1.09 per share.

Total first-quarter sales were $377.5m, down 3 per cent from $388.5m a year ago.

The company was hurt by recession in its key markets, in particular by low demand for electrical distribution products due to a drop in housing starts. It also took one-time charges of $5.3m in the first quarter for consolidation of two lines of business.

Results were mixed from the company's international operations, with improvements in Latin America being offset by declines in Canada.

Square D did not report any additional costs associated with its defence against Schneider.

Mr Jerre Stead, the company chairman and chief executive, said Square D started the year in a strong position and that with an improvement in economic conditions, "this will be another year of excellent financial performance".

Sales at Fruit of the Loom jump 7.9%

By Barbara Durr

FRUIT of the Loom, the leading US producer and marketer of men's and boys' underwear, reported first-quarter sales of $349.2m, a jump of 7.9 per cent from $323.7m a year earlier.

Net earnings rose 25 per cent to $15.9m, or 25 cents per share, from $12.8m, or 20 cents per share, last year.

Operating earnings increased 10.8 per cent to $63.4m from $57.2m.

Mr William Farley, chairman, said that the 1991 first quarter benefited from stronger distribution in Europe and the introduction of 15 new product lines. Nearly completed plant modernisations and debt-to-equity improvements also helped improve first-quarter results, he said.

Fruit of the Loom, a leading supplier of T-shirts for speciality imprints, was boosted by the Gulf war. American demand for patriotic T-shirts boomed during the quarter.

NRI TOKYO BOND INDEX

December 1983 = 100	18/4/91	Average yield† (%)	Last week	12 wks ago	26 wks ago
Overall	154.10	7.07	153.61	152.17	144.85
Government Bonds	152.01	6.89	151.23	150.19	141.68
Municipal Bonds	155.77	7.20	155.32	154.56	147.19
Govt.-guaranteed Bonds	158.57	7.26	158.29	156.87	149.59
Bank Debentures	151.11	7.12	150.80	149.11	143.56
Corporate Bonds	156.65	7.40	156.79	153.73	147.16
Yen-denom. Foreign Bonds	161.20	7.93	160.89	157.30	150.23
Government 10-year†	6.57		6.67	6.50	7.31

† Estimated par yield

Source: Nomura Research Institute

Actimo to buy Canadian chain

By Robert Gibbens in Montreal

ACTIMO, a private French property group, plans to buy Pascal, the Canadian hardware chain which is in receivership, for an undisclosed price.

Furniture and hotel supply businesses which also operate under the Pascal name will remain in the hands of the Pascal family. The hardware business had annual sales of C$200m (US$173m) before running into trouble last year.

● Varity, the Canadian car parts, diesel engine and farm equipment group, says existing shareholders will retain all their rights when it moves headquarters from Toronto to the US later this year.

Varity will set up a US holding company, Varity Corp, registered in Delaware, but with headquarters in Buffalo, NY. The assets of the existing Canadian company will be amalgamated with the new company and the Canadian company will be wound up.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Possibility of big issues casts a pall

THE possibility of large amounts of gilt issues over the next year cast a shadow over the market for UK government bonds last week.

The pall was particularly perverse in view of large doses of gloomy news on the recession front – which at other times would almost certainly have lifted the market.

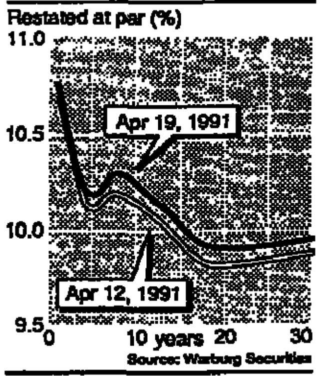
In the event, gilts at the long end of the market lost ground by more than half a point on the week, with shorter gilts staying at roughly the same price. The 10 per cent Treasury benchmark stock maturing in 2008 closed on Friday at 92⅔, compared with 93⅛ the previous week. The yield was pushed up from 9.79 per cent to 9.87 per cent. The shorter dated 10 per cent bond maturing in 1994 closed at 99⅛, the same as a week previously, to yield 10.25 per cent.

Three sets of economic data at the end of the week argued strongly for the UK recession turning out longer and bleaker than had been forecast.

● The UK jobless total passed the 2m mark in March with the biggest monthly increase on record. That leaves open the possibility that the total out of work will climb to 3m by the end of next year.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

● The government announced the biggest fall in manufacturing output for three years. This declined by 1.6 per cent in February compared with January and officials now estimate the year-on-year fall is about 9 per cent, an increase of one percentage point on earlier in the year.

● Fears of a credit crunch were aroused by figures showing that bank lending in March plunged to its lowest level for 15 years. The Bank of England announced that bank and building society sterling lending totalled just £700m last month, a fraction of the median City forecast of around £4bn.

These figures had economists reaching for their history books to examine the chances *of the current recession matching* in intensity the one in 1980-81 when the peak-to-trough decline in output reached 6 per cent. Until last week, many economists believed the current economic decline would result in a fall of about 3 per cent until the expected recovery this summer: now they cannot be quite so sure.

Without the prospect of a large amount of gilt funding hanging over the market, news of this kind might be a cause for satisfaction in bond markets.

The gloomy indications provide every sign that the annual rate of retail price inflation, 8.2 per cent last month, may come down by more than the Treasury's forecast rate over the next few months.

It would easily hit 3 per cent by the end of the year, as opposed to the official projection of 4 per cent. That, of course, assumes a further reduction in the annual rate of rise in wages.

The annual rise across the economy was 9¼ per cent in February, as opposed to 9¼ per cent in January, and all the signs are that the rate will come down more as the year progresses.

The chief worry for the market, however, is that the public sector borrowing requirement for the current financial year will turn out to be much more than the projected £8bn.

Gilt traders are already resigned to gilt funding over the year of about £14bn. Should the borrowing total run to £12bn or so, as some predict, the market could be faced with gilt issues of well over £1bn a month – a level of supply which could push prices down.

Some of the fears were underlined by figures last week showing that the borrowing requirement in March, the last month of the financial year, reached £3.1bn, the highest figure since 1988.

Although the last month of the year normally provides a high number for borrowing, the figure could presage the start of high borrowing totals over the next few months as public expenditure mounts and tax income falls – both aspects being linked to the recession.

Peter Marsh

SWEDISH BONDS

Heavy supply of paper pushes up yields

A HEAVY supply of paper in the Swedish government bond market pushed yields up about 15 basis points last week, ahead of another large debt auction today.

A SKr5bn issue of 11-year government bonds will be sold at the monthly auction, marking a further increase in the level of government debt sales. Recent auctions have been for around SKr4bn, compared with only SKr2bn-SKr3bn last year. Dealers are now speculating that the monthly auctions will soon total SKr6bn.

In addition, the Swedish debt office announced issues of six and 12-month T-bills totalling SKr7bn, which added to the surplus of paper.

The Swedish bond market, with outstandings of SKr367bn (including T-bills), is open to foreign investors, but bonds must be held by designated Swedish institutions.

Ten-year government bond yields rose from 11.48 per cent to 11.64 per cent last week. However, the market's weakness follows a sustained rally during recent months, which pushed yields down from a high of 13¼ per cent.

Lower than expected tax revenues, as a result of economic recession, account for the increased level of debt issuance, according to Mr William Ledward, European economist at Nomura Research.

In addition, the government has been adjusting the profile of its debt by using foreign exchange reserves to buy back foreign currency debt, then issuing domestic bonds. For example, last week Sweden announced a tender offer to buy back over $1bn in Eurodollar bonds and Yankee bonds.

On Tuesday, the Swedish government will present its revised budget for the financial year 1991-1992. The deficit for 1990-1991 is now estimated to run to SKr18.5bn, a sizeable jump from the government's January estimate of SKr2bn.

Bond traders are concerned that the ruling Social Democratic party may move to increase public spending to counter its current political unpopularity. With the September election now on the horizon, recent polls give the Social Democrats only 30 per cent of the votes. Any such expansionary policy could spell further weakness for the bond market.

In the longer term, however, there are positive signs for the market.

There is widespread speculation that, either before the election but more likely later in the year, the Swedish kronor will be linked to the European currency unit within a narrow band.

Currently, the kronor is linked to a basket of currencies, in which the dollar has a 25 per cent weighting.

Such a change would push bond yields down, dealers say, and encourage investment by European institutions. The relatively high level of yields in Sweden currently includes a risk premium, because the currency has often been devalued in the past, according to Mr Karim Basta, senior analyst at Merrill Lynch.

Linkage to the Ecu would be considered a stabilising factor, as well as representing a positive step in the development of Sweden's relationship with the European Economic Community, which the country has announced plans to join.

In addition, favourable balance of payments data and expectations of 4 per cent to 5 per cent inflation in 1992 are likely to support the bond market.

Tracy Corrigan

US MONEY AND CREDIT

Traders confused by mixed signals

THE STORY in the US bond markets last week was all about what did not happen.

Ten days ago, traders were confronting two sets of relatively *benign inflation data*, in turn preceded by some grim employment figures. Not surprisingly, they concluded that there was good reason to stimulate the economy further, and sufficient scope for a further easing of US interest rates to take place.

A couple of hours into Monday morning, this conviction was disappearing rapidly. The Federal Reserve moved into the open market for Treasury securities earlier than usual, draining reserves from the banking system.

That was immediately interpreted as a signal that any speculation about a further rate reduction was off the mark.

Accordingly, bond prices fell back, and the yield on the "benchmark" long bond descended to 8.24 per cent, compared with 8.12 per cent at the end of the previous week.

Newspaper stories – in the Washington Post, in particular – suggested that the Fed had decided against any further action before its next policy-setting Open Market Committee meeting in mid-May.

Coming on top of the recent speculation about policy divisions within the Federal Reserve Board, dealers *concluded that there might be* more than a grain of truth in the rumours. So by the end of the week, and after some sharp price falls on Thursday and Friday, the yield on the 30-year Treasury bond had widened to 8.25 per cent.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed funds (weekly average)	5.63	5.80	5.94	11.00	2.00
Three-month Treasury Bills	5.91	5.66	6.04	7.94	5.54
Six-month Treasury Bills	6.02	5.84	6.14	8.04	5.62
Three-month prime CDs	6.15	5.98	6.37	9.01	5.90
30-day Commercial Paper	6.00	5.80	6.20	8.28	6.05
90-day Commercial Paper	6.01	5.80	6.20	7.98	5.95

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99⅔	[illegible]	7.99	7.83	7.99
20-year Treasury	109⅞	[illegible]	8.24	8.32	8.36
30-year Treasury	95⅔	[illegible]	8.24	8.15	8.31

Money supply: In the week ended April 8, M1 fell by $10.4bn to $841.4bn

Signals from the corporate sector are, at best, mixed. The current reporting season, for example, only covers the first three months of the year, when Gulf-related factors were confusing the commercial environment. Although numerous executives have said that they view the months ahead with confidence, firm evidence to back this up is flimsy.

April, moreover, will be the first month this year to reflect the "post-Gulf environment", and data for this period will only arrive in early May.

So it is scarcely surprising that views on the rate at which the economy may recover – and the future scenario for interest rates – should vary. Wall Street brokers, Donaldson, Lufkin & Jenrette, for example, suggest that "the recession is either over or is just about to end".

They go on to argue that "there is little reason to believe that the Fed will ease monetary policy further – in fact, at this point in time, any easing of monetary policy would probably be a mistake by the monetary policy."

Britain's James Capel, by contrast, is less emphatic. "The chances *of another* Fed ease are certainly not zero if inflation continues to fall and the recovery proves to be elusive or slow, but it will clearly take at least another month . . . for further clarification," its analysts say.

But if developments on the interest rate front proved a vain hope, there is still activity in the corporate bond segment.

According to one estimate, around $6.5bn-worth of new non-convertible issues were brought to the market last week, compared with little more than $3bn-worth a fortnight ago. There was even some talk of a revival in "junk bond" issues, as a chunky offering from RJR Nabisco, the tobacco and food combine that was *taken private through* a $25bn leveraged buy-out, pulled in investors.

The RJR deal was certainly not modest. The size of the issue of *senior* notes was doubled from the initial plan – $1.5bn-worth against $750m – and carried a 10.5 per cent interest rate.

The scale of the offering, moreover, looked all the more impressive when placed against the total value of junk bond offerings in 1990 – just $1.3bn. And it was, perhaps, just bad luck that the stock's trading debut should coincide with Friday's tumble in bond prices. By the close, the new bonds were down ½ at 99½.

However, it would be dangerous to conclude that RJR's success heralds the rebirth of junk bond finance.

For a start, there is a barrier on the investment side. In the past, two of the main sources of demand for such stocks have been thrifts and insurance companies, and both have had their wings seriously clipped.

The RJR yield, moreover, was scarcely typical of the "junkier" end of the non-investment grade market.

In short, a little extra risk for a little extra return may sell. Beyond that, it is probably unwise to go.

Nikki Tait

FT/AIBD INTERNATIONAL BOND SERVICE

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Attention focuses on the MGN flotation

AS Mr Robert Maxwell dominated the headlines last week with the launch of the "pathfinder prospectus" for Mirror Group Newspapers' flotation, it was hardly surprising that attention in the syndicated loan market focused on the loan facility which has been arranged for the new group.

The £150m three-year facility was well-received and was over-subscribed two-fold. Bankers suggested four main reasons for over-subscription: the structure of the loan (which is amortised); the price; the covenanting (which places limits on MGN's gearing); and the fact that banks see MGN as a profitable company with a good cash flow.

Repayment of the loan is amortised, with £50m due in June 1993 and the remaining £100m due after three years. Barclays, which is the book-runner and one of four arrangers of the loan (the others are Lloyds Bank, Crédit Lyonnais and Midland Bank) claims that banks prefer signing up for amortised loans rather than "bullet loans" where the money is repaid in full at the end of the term.

The interest margin is 75 basis points over the London interbank offered rate and the commitment fee is 37½ basis points. The front-end fees are 10 basis points if the lender commits £10m, 15 basis points on £15m and 20 basis points on £20m.

However, as the arrangers wanted the loan to be syndicated as quickly as possible, they wooed banks with a 15 basis point "speed fee" which was added to the front-end fee on condition that banks were committed by the beginning of last week.

Barclays says that the loan completes the banking facilities which MGN needs to take it into the flotation. One participating bank said that lenders regard MGN as one of the least geared of Mr Maxwell's assets and are reassured by the fact that once floated, the company will have to meet more stringent disclosure criteria.

In an otherwise quiet week, bankers said that syndication would soon be closed for the £1.325bn financing for Inntrepreneur, the holding company in a pubs-for-breweries swap between Grand Metropolitan and Elders IXL. The financing, which has been put together by Citicorp and S. G. Warburg, has been in the market for several weeks now: it is underwritten by a group of 13 banks and there are about 40 banks in the syndicate so far, although bankers are awaiting a handful more responses.

Sara Webb

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,833.2	96.9	95.0	13,099.4
Prev	1,360.2	0.0	141.0	12,275.0
Other	1,713.1	0.0	248.8	8,687.7
Prev	2,462.0	130.8	35.6	11,397.4
Secondary Market				
US$	17,704.9	852.3	6,948.6	9,263.4
Prev	18,711.6	661.2	8873.5	9,427.5
Other	26,983.3	945.5	4,569.5	57,791.2
Prev	27,247.4	1,825.9	3,258.1	37,919.9

	Cedel	Euroclear	Total
US$	17,664.7	32,169.0	49,833.7
Prev	20,088.1	31,361.9	51,450.0
Other	40,463.5	60,475.6	100,939.1
Prev	33,094.2	51,182.9	84,277.1

Week to April 18, 1991

Source: AIBD

Cater Allen quits market

By Sara Webb

CATER Allen Holdings, the UK financial services and broking group, has closed down its gilt-edged market-making division.

It joins a long list of houses that have pulled out of the gilts market since Big Bang in 1986 as a result of over-capacity.

Mr James Barclay, chairman of Cater Allen, said there were no signs of market conditions improving, despite the fact that the government has returned to borrowing in the gilts market this year.

Cater Allen Securities, incurred a loss of £2.5m in the year to April 1991 after a slightly lower one previously.

Since Big Bang, the number of gilt-edged market-makers has fallen from 27 to 18.

INTERNATIONAL BONDS

Renewed demand encourages borrowers in sterling

A STEADY supply of sterling denominated bonds has been one of the few consistent features of the international bond market this year. So far this year £4.9bn of non-government sterling bonds have been sold in the international and domestic bond markets, against £5.7bn during the whole of 1990.

This flow of new issues has been supported by renewed international demand as overseas investment institutions have increased portfolio exposure to sterling. Enthusiasm has grown as the UK currency's position within the European exchange rate mechanism has looked more secure.

In recent weeks this process of sterling stock building has been accelerated by the weakness of the D-Mark on the foreign exchange market. Fears of a further devaluation in the German currency have prompted defensive buying of sterling paper by European investors.

European investors have also been extending the duration of their exposure from short-dated bonds to maturities between five years and 10 years.

This has been matched by disaffection among UK institutional investors with the longer end of the sterling yield curve. The UK government's funding programme is overhanging the longer end of the gilts market, against which Eurosterling bonds are priced.

Hence there has been a convergence of demand from UK and overseas investors at between five years and 10 years. Borrowers including Sears, National Westminster Bank, ANZ Bank, Nippon Telegraph and Telephone, and Export-Import Bank of Japan last week tapped this ready pool of demand.

Moreover, fears that the UK government's extensive funding programme will crowd corporate borrowers out of the market have been partially allayed. Investment institutions are increasingly looking for value in non-government or supranational bonds.

There is an increasing body of opinion that the yield spread of corporate bonds over sovereign paper is no longer an accurate reflection of additional credit risk – there are bargains to be found.

This has already been reflected in a narrowing of corporate yield spreads in the secondary market. For example, the yield spread on Trafalgar House's 10⅞ per cent £100m bond issue maturing 2014 peaked at 340 basis points over gilts towards the end of last year and has now narrowed to 270 basis points.

In the new issues market, it is perhaps significant that both National Westminster and ANZ could place in total £160m of 10-year subordinated paper in the same week. The cost of capital to the banks was high (225 basis points over gilts for ANZ), but such paper can now be sold in the mainstream of the market.

Indeed, far from fearing "crowding out", many analysts regard the return of the UK government to the bond market as a positive development for corporate borrowers in sterling. The government funding programme has attracted attention to the sterling bond market and increased liquidity in the swaps market.

Overall, the prospects for companies borrowing in sterling appear favourable. Since many companies are finding it hard to raise committed funds from banks – themselves short of sterling capital as last week's issues demonstrate – a receptive sterling bond market could be important.

The question facing corporate treasurers is choosing the correct maturity and timing for new issues. Without the full support of UK investment institutions for long-dated bonds, the cost of traditional debenture issues may be punitive. The long end of the market also faces most competition from the anticipated flood of government paper.

Yield spreads at the longer maturities are already less attractive than under 10-years. For example, Halifax Building Society's six-year paper yields 50 basis points over UK gilts whereas its bonds maturing 2014 yield 180 basis points over gilts.

In addition, fewer corporate treasurers are willing to lock in at current interest rates for 20 years or more now that sterling is in the ERM. In the longer-term, ERM disciplines should ensure convergence of European interest rates and result in lower sterling bond yields.

In contrast, locking into five-year funding with gilts yielding a little over 10 per cent may seem more attractive. UK interest rates may not fall much further this year and may even rise again next year.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Japan Finance Corp†	150	2001	10	8½	99¼	IBJ Int.	8.615
NTN Corp(d)♦†	260	1995	4	4	100	Nomura Int.	4.000
Credit Saison Co.(c)♦†	150	1996	5	4½	100	Nomura Int.	4.500
Swedish Nat.Mtge.Assoc.†	400	1997	6	8½	99.845	Nomura Int.	8.534
Sumitomo Metal Mining♦	300	1996	5	4½	100	Daiwa Europe	4.500
Daimler-Benz Nth.America†	250	1996	5	8¼	101.46	Deutsche Bk Cap.Mkts.	7.885
Union Bk of Finland†	200	1994	3	8	100.925	Morgan Stanley Int.	7.643
Taihei Kogyo Co.♦	100	1995	4	4	100	Daiwa Europe	4.000
Roche Holdings(i)♦†	1bn	2001	10	3½	100	SBC	3.500
Toyota Motor Credit Corp†	200	1994	3	7¾	101.2125	CSFB	7.286
Uny Co.♦	150	1995	4	4	100	Nomura Int.	4.000
P.T. Inti Indorayon Utama(h)§	60	2006	15	(7-7¼)	100	CSFB	-
Daiwa House Ind(g)♦†	350	1996	5	4½	100	Nomura Int.	4.500
Denki Kagaku Kogyo(d)♦†	150	1995	4	4	100	Nikko Secs.	4.000
J Sainsbury(j)†	150	1996	5	8½	101.295	JP Morgan Secs.	8.174
STERLING							
Export-Import Bk of Japan†	150	2001	10	10¾	99.37	SG Warburg Secs.	10.856
Credit Local de France†	100	1994	3	11	101.4125	CSFB	10.428
Nat.Westminster Bk†	100	2001	10	11¾	99.664	Natwest Cap.Mkts.	11.809
Woolwich Building Soc.(a)‡†	100	1994	3	(a)	100	UBS Phillips & Drew	-
Hanson(f)§†	500	2006	14¾	9½	100	CSFB	9.726
Nip.Telegraph & Telephone†	100	2001	10	10⅞	99.57	SG Warburg Secs.	10.948
EIB(n)†	150	1996	5½	10¾	(n)	BZW	10.811
Sears(j)†	100	1996	4⅔	12½	101.95	CSFB	11.887
ANZ Banking Group(k)†	60	2001	10	12⅝	98.71	Goldman Sachs	12.861
Govt.of Gibraltar(l)†	50	2005	14	11⅞	100.142	BZW	11.854
ECUs							
Waldner NV(b)	(50-100)	2001	10	(b)	100	SBC	-
IMI Bk Int.(Cayman Is.)†	250	1994	3	9¼	101.175	CSFB	8.788
Credit Local de France†	200	1994	3	9⅛	101.175	Paribas Capital Mkts.	8.664
Eurofima(m)†	40	1995	4	10⅜	104½	Nikko Secs.	9.986
CANADIAN DOLLARS							
Comm.Urbaine d'Montreal†	75	2001	10	10¾	100⅛	Wood Gundy	10.729
D-MARKS							
Barclays O'seas.Cap.Corp†	300	1994	3	8¾	101⅝	Dresdner Bank	8.118
Crediop Overseas Bank†	150	1996	5.167	8½	101.70	Deutsche Bank	8.073
Daiwa House Ind.(g)♦†	400	1996	5	4½	100	Daiwa Europe GmbH	4.500
SWISS FRANCS							
Kommuninvest†	115	1998	-	6¾	102½	SBC	6.297
Yasuda Real Estate★★†	30	1996	-	7⅜	100	Fuji Bank (Schweiz)	7.375
Altus Finance†	150	2001	-	6¾	102	UBS	6.472
Republic of Ireland★★†	100	2001	-	6¾	100½	SBC	6.680
Kawamura Electric★★†	15	1996	-	7⅜	100	Dai-Ichi Kgyo.Bk	7.375
City of Copenhagen(o)†	100	2001	-	6½	101½	UBS	6.293
LIRE							
ABB Finance Inc.†	150bn	1995	4	12⅜	101.70	Bca.Comm.Italiana	11.817
FINNISH MARKKA							
Nordic Investment Bk†	250	1996	4.833	11¾	101⅝	Unibank	11.272
YEN							
Kubota†	10bn	1993	2	7	100.685	Daiwa Europe	6.623
World Bank†	15bn	1995	4	7	100.45	Norinchukin Int.	6.868
NSK Finance BV†	10bn	1996	5	7.3	101 3/16	Nomura Int.	6.980
Nissan Int.Fin.BV†	4bn	1994	3	7	100.825	Yamaichi Int.	6.687
Orix Corp★★†	10bn	1996	5¼	7½	101¼	Yamaichi Int.	7.194
Orix Corp★★†	10bn	1995	4	7½	101⅛	Daiwa Europe	7.170
Nissho Iwai Amer.Fin.†	5bn	1995	4	7½	101¼	Nikko Secs.	7.130
LUXEMBOURG FRANCS							
DSL Bank SA★★†	300	1994	3	9¼	101.80	BCEE	8.545
Compagnie Bancaire★★†	800	1994	3	9¼	101.80	Banque Paribas (Lux.)	8.545
Swedbank★★†	500	1996	5	9¼	101.85	BIL	8.777
Union Bk of Norway★★†	800	1996	5	9⅜	101⅞	Credit Europeen	8.894
Kemira Int.Fin.BV★★†	500	1996	6	9⅜	101.95	BGL	8.875
Banco di Roma(e)★★†	500	1994	3	9⅜	101.95	Banque UCL	8.610
Cr.Lyonnais Bk N'land.†	1bn	1998	7	9⅛	101.90	Cr.Lyonnais (Lux.)	8.751
BFCE★★†	1.25bn	1994	3	9¼	101⅞	KBL	8.516
WestLB (Lux.)†	1bn	1998	6⅔	9⅛	101.90	KBL	8.720
Banque Indosuez (Paris)★★†	1bn	1998	7	9¼	102¼	Banque Indosuez	8.806
Rank Xerox Fin.BV★★†	600	1994	3	9½	102	Credit Europeen	8.714
Locafrance★★†	300	1995	4	9⅜	102.20	Banque Indosuez	8.700
Credit National★★†	1bn	1994	3	9¼	101.70	BCEE	8.583

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate notes. †Final terms. a) Coupon pays ⅛% over 3-month Libor. Non-callable. b) Collateralised issue. Pays initial coupon of 4½% with part of proceeds used to invest in Futures & Options portfolio, whose profits will be used to pay a higher coupon. SBC is sole underwriter. Selling concession – 1½% up to Ecu3m, and 1¾% for over Ecu3m. c) Exercise premium fixed at 2.51%. Non-callable. d) Exercise premium fixed at 2.55%. Non-callable. e) Issue launched on fiduciary basis by Banque UCL. Non-callable. f) Callable from 30/4/91 at par, if more than 85% of issue is converted, then callable at par after 5 years at anytime. Conversion premium fixed at 15%. Coupon payable semi-annually. g) Exercise premium fixed at 2.52%. Non-callable. h) Callable from May 1994 at 102% declining 1% per annum until 100% in 1996. i) Each bond is issued with 73 warrants, 100 warrants give the right to 1 Roche share exercisable on 18/5/94, or SFr10,000 cash at option of issuer. If share price is below SFr7,000 on this date, investors have the right to receive this amount in cash. j) Event risk put at par. k) Subordinated issue. Non-callable. l) Sterling foreign bond. Callable at higher of par, or at redemption yield same as gilts. If Gibraltar ceases to be a crown colony, coupon will be reset to 7½% over gilt. m) Fungible with existing Ecu320m deal from 21/5/91. Non-callable. n) Fixed price reoffer – 99.82%. Non-callable. o) Callable after 6 years at 102%, declining ½% per annum. Note: Yields calculated on AIBD basis.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Apr. 19	Apr. 18	Apr. 17	Apr. 16	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2965.59	2999.26	3004.46	2986.88	3004.46 (17/4)	2470.30 (9/1)	3004.46 (17/4/91)	41.22 (2/7/32)
Home Bonds	94.19	94.53	94.31	94.26	94.86 (15/2)	91.90 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1172.07	1178.07	1166.26	1143.51	1178.07 (18/4)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
†Utilities	212.65	216.30	219.76	220.89	220.89 (16/4)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3000.25 (3017.82) Low 2943.56 (2991.34)

STANDARD AND POOR'S	Apr. 19	Apr. 18	Apr. 17	Apr. 16	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	384.19	388.45	390.45	387.62	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	457.33	463.23	462.40	456.93	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	30.87	31.58	31.49	30.93	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	210.23	212.26	213.21	211.71	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	370.83	373.40	372.46	369.99	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	501.19	506.62	511.31	506.75	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	Apr.12	Apr.5	Mar.22	year ago (approx.)
Dow Industrial Div. Yield	3.45	3.48	3.53	3.98

	Apr.17	Apr.10	Apr.3	year ago (approx.)
S & P Industrial div. yield	2.69	2.85	2.81	3.04
S & P Indl. P/E ratio	19.07	18.17	18.44	15.13

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Amer Express	3,695,300	28	- 1¼
Citicorp	3,616,900	15¾	- ⅛
Nabisco (RJ)	3,142,900	11¼	- ¼
Global Mar	2,993,800	4¾	+ ⅜
Philip Morris	2,974,300	68¾	- 1⅜
Saatchi Co	2,882,700	1¼	+ ⅛
IBM	2,109,300	109½	- ¼
AT & T	2,103,300	37¼	- ⅜
Upjohn	2,062,100	46¾	- ¼
Gen Motors	2,011,300	39¼	- ⅜

TRADING ACTIVITY

† Volume (Millions)	Apr. 19	Apr. 18	Apr. 17
New York	195.510	217.410	248.887
Amex	15.020	15.001	16.666
NASDAQ	(a)	255.531	267.585
Issues Traded	2,089	2,071	2,096
Rises	515	669	1,025
Falls	1,084	942	572
Unchanged	460	460	499
New Highs	65	147	223
New Lows	10	4	2

CANADA

TORONTO	Apr. 19	Apr. 18	Apr. 17	Apr. 16	1991 HIGH	1991 LOW
Metals & Minerals	3168.52	3227.79	3211.26	3147.92	3284.18 (5/3)	2632.06 (9/1)
Composite	3495.97	3533.93	3545.93	3539.73	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1839.10	1859.27	1866.25	1865.47	1888.19 (5/3)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

THAILAND						
Bangkok SET (30/4/75)	908.13	904.69	898.46	886.03	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	516.7*	524.8	529.2	525.6	529.2 (17/4)	439.1 (16/1)

**Saturday April 13: Taiwan Weighted Price: 5595.10. Korea Comp Ex. 638.21.
‡ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 19 April 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Yakin	12.5m	1040	+10
Japan Steel	11.9m	700	+15
Chiyoda	11.6m	3060	+40
Nippon Steel	8.2m	480	-2
Nihon Nohyaku	6.5m	2250	+280
Hitachi Zosen	6.2m	652	+2
Kobe Steel	4.6m	527	-9
Hitachi	4.6m	1230	
Taiyo Yuden	4.1m	1120	+40
Nitto Denko	4.0m	1820	+50

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AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	48.75	48.75xd	52.13	6.66	40000
Gilts & Fixed Int	6	112.6	112.6xd	119.4	9.43	40001
High Inc Equity	6	137.8	141.1xd	150.1	5.66	40002
Worldwide Bond	6	206.1	206.1xd	218.5	6.86	40003
Capital Growth						
American Growth	6	201.0	201.0	214.9	1.22	40004
Asian Pacific	6	127.5	130.2	138.5	.14	40005
Assets & Earnings	6	177.9	181.7	193.2	2.87	40006
Capital Reserve Acc	0	104.0	104.0	104.1	7.29	40007
Capital Reserve Inc	0	82.26	82.26xd	82.28	7.29	47980
Comdty & Energy	6	77.71	77.71xd	83.11	.90	40008
1992 Enterprise	6	64.82	64.82	69.32	3.19	46597
Euro Capital Acc	6	87.67	87.67	93.76	1.44	40009
Euro Capital Inc	6	83.76	83.76xd	89.58	1.45	47981
General	6	173.7	173.7xd	185.7	2.69	40010
Japan	6	103.1	103.1	110.2	–	40011
Mastertrust	6	90.06	90.06	96.32	2.19	40012
UK Growth Acc	6	162.6	162.6	173.9	2.13	40013
UK Growth Dist	6	104.5	104.5xd	111.7	2.15	40014
US Emerging Cos	6	65.85	65.85	70.42	–	40015
Income & Growth	6	313.8	313.8	335.6	4.17	40016
Ethical	6	50.75	50.75	54.27	3.00	40017
International	6	62.31	63.20	67.23	1.44	46652
Dividend & Growth	6	50.20	51.39	54.67	5.49	47871
Global Gwth & Sec	6	51.18	51.50	54.78	1.83	44696
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	975.00	975.00	1034.00	–	46656
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F						
5 Giltspur St, London EC1A 9DE 071-236 6441						
Brewin Capital	5½	131.5	131.5	140.6	5.64	40177
Brewin Dividend	5½	62.85	62.85	67.21	5.84	40178
Brewin Int Gen Inc	5½	160.5	160.5	171.6	3.64	40179
Brewin UK & Gen	5½	33.33	33.33	35.64	2.29	46854
Britannia Life Unit Managers Ltd (1200)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	75.88	75.88xd	81.16	3.15	40427
Do (Accum)	6	80.21	80.21	85.78	3.15	40428
Service Cos	6	64.34	64.34	68.81	1.95	40433
Do (Accum)	6	66.98	66.98	71.64	1.95	40434
Income Growth	6	47.90	47.90	51.23	4.36	40431
Do (Accum)	6	65.33	65.33	69.88	4.36	40432
Higher Yield	6	33.16	33.16xd	35.46	4.49	40429
Do (Accum)	6	41.55	41.55	44.44	4.49	40430
American Gth Inc	6	31.40	31.40	33.59	1.51	40425
Do (Accum)	6	32.00	32.00	34.22	1.51	40426
European Growth	6	25.98	25.98	27.79	1.55	40435
Do (Accum)	6	26.47	26.47	28.31	1.55	40436
Global Bond Inc	6	22.63	22.63	24.20	6.28	46495
Do (Accum)	6	25.45	25.45	27.22	6.28	46496
Managed P'folio Inc	6	25.02	25.11	26.85	–	40147
(Do Accum)	6	25.02	25.11	26.85	–	40162
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5						
Mngd P'folio Inc	6	83.99	83.99	89.45	2.53	40186
Mngd P'folio Acc	6	152.7	152.7	162.6	–	40187
UK General	6	119.3	119.3xd	127.1	3.99	40188
Gilt & General	6	19.19	19.19xd	20.58	9.25	40190
European Inc	6	20.53	20.53	22.12	0.51	40191
European Acc	6	20.99	20.99	22.61	–	40192
Exempt	3	289.0	289.0	305.8	4.43	40193
Financial	6	116.8	116.8	124.4	3.80	40194
German	6	35.75	35.75	38.33	0.10	40195
High Income	6	70.01	70.01xd	74.91	5.84	40196
Income	6	100.6	103.9xd	111.1	4.88	40197
Intl Income	6	86.20	86.20	91.80	5.25	40189
Intl Growth	6	28.50	28.50	30.35	0.26	40198
Monthly Income	6	58.78	60.60xd	64.54	5.22	40512
North American	6	75.28	75.28	80.82	0.27	40199
Orient	6	111.1	111.1	119.5	–	[illegible]

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
48 Melville St, Edinburgh EH3 7HF Dlg 031-220 4924						
Far East (Pacific)	5¼	101.0	101.0	107.2	1.07	40357
Income & Growth	5¼	63.58	63.58	67.49	4.69	41358
European	5¼	54.66	54.66	58.02	1.34	41359
Nth American	5¼	39.37	39.37	41.79	1.25	41360
Intl Growth	5¼	66.28	67.61xd	71.77	0.82	41361
UK Growth	5¼	56.65	56.65	60.13	1.93	41362
Intl Income	5¼	48.52	49.01xd	52.02	6.47	46966
High Yield	5¼	46.27	46.83xd	49.71	7.30	46965
Charities	5¼	93.56	94.77	100.6	5.56	46963
Japan	5¼	42.25	42.25xd	44.85	–	47589
Matheson Unit Trust Managers Ltd (1200)H						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
UK Growth	6	68.54	70.04xd	74.91	3.30	46355
UK High Income	6	35.22	35.74xd	38.22	5.29	46356
NM Unit Trust Mngrs (1200)H						
The Bilton Centre, North Harbour, Portsmouth						
Enquiries: 0705 372222 Dealing: 0705 367730						
American ♥	5¼	32.89	32.89	35.08	1.45	41072
(Accum Units) ♥	5¼	35.20	35.20	37.54	1.45	41073
Australian ♥	5¼	179.10	180.00	193.10	2.84	41074
(Accum Units) ♥	5¼	201.70	202.80	217.50	2.84	41075
Conscience	5¼	52.20	53.07	56.63	1.38	41076
(Accum Units)	5¼	54.74	55.65	59.39	1.38	41077
European	5¼	140.40	142.30xd	151.70	1.03	41078
(Accum Units)	5¼	149.00	150.90	160.90	1.03	41079
Extra Income	5¼	66.28	67.07xd	71.57	8.54	41080
(Accum Units)	5¼	90.10	91.17	97.29	8.54	41081
Far East Gth Acc	5¼	116.10	117.80xd	125.90	0.25	41082
Gilt & F.I.	5¼	50.96	50.96	53.95	9.29	41083
(Accum Units)	5¼	107.30	107.30	113.50	9.29	41084

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Swiss Life Unit Tst Man Co Ltd (1200)F

Admin 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Equity Dist	6½	427.1	438.6	464.1	3.40	41453
Equity Acc	6½	594.4	610.4	645.9	3.40	41454
Fixed Int Dist	6½	113.6	116.9	121.1	8.37	41455
Fixed Int Acc	6½	241.7	248.6	257.6	8.37	41456
UK Index Track Dist	6	99.03	100.9	106.8	4.03	47896
UK Index Track Acc	6	103.6	105.5	111.6	4.03	47897

TSB Unit Trusts (1200)H

Charlton Pl, Andover, Hants SP10 1RE 0264 346794

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TSB American	6	139.8	139.8	148.72	0.25	41457
Do Accum	6	152.81	152.81	162.56	0.25	41458
TSB Brit Growth	6	73.8	74.94	79.72	3.08	41459
Do Accum	6	82.67	83.94	89.29	3.08	41460
TSB European	6	73.64	73.64	78.34	0.91	41461
Do Accum	6	76.31	76.31	81.18	0.91	41462
TSB Extra Income	6	164.67	168.27	179.0	5.09	41463
Do Accum	6	237.46	242.64	258.12	5.09	41464
TSB Smaller Cos	6	45.15	46.9	49.89	2.27	41465
Do Accum	6	47.78	49.64	52.8	2.27	41466
TSB General	6	229.14	229.14	243.76	3.4	41467
Do Accum	6	427.55	427.55	454.84	3.4	41468
TSB Premier Income	5	44.53	45.13	47.01	8.25	41469
Do Accum	5	79.68	80.77	84.13	8.25	41470
TSB Income	6	307.12	312.57	332.52	4.91	41471
Do Accum	6	570.93	581.08	618.17	4.91	41472
TSB Pacific	6	236.98	236.98	252.1	0.38	41473
Do Accum	6	246.58	246.58	262.31	0.38	41474
TSB International	6	400.08	400.08	425.61	0.8	41475
Do Accum	6	515.94	515.94	548.87	0.8	41476
TSB Nat Resources	6	64.46	65.1	69.25	0.58	41477
Do Accum	6	70.23	70.92	75.44	0.58	41478
TSB Slctd Opps	6	79.5	81.14	86.31	2.99	41479
Do Accum	6	95.78	97.75	103.98	2.99	41480
Environmental Inv	6	47.47	48.34	51.42	1.82	46649
Do Accum	6	48.98	49.88	53.06	1.82	46650
TSB Selector	6	49.13	49.9	53.08	3.76	47660
Do Accum	6	50.63	51.42	54.7	3.76	47661
TSB High Income	6	51.63	52.62	55.97	6.94	46558
Do Accum	6	53.0	54.02	57.46	6.94	46559
TSB Intl Income	6	49.6	49.83	53.01	6.87	46460
Do Accum	6	51.38	51.82	55.12	6.87	46461
TSB Selector Income	6	50.07	50.64	53.87	6.13	46462
Do Accum	6	51.3	51.88	55.19	6.13	46463

M & G Securities Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Charibond	101.51	101.51	10.62	40883
(Accum Units)	552.83	552.83	10.62	40884
NAAGIF Apr 16	–	43.67	9.36	46917

Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity † Apr 16	130.5	139.7	2.80	46925
UK Small Co † Apr 16	518.5	558.2	1.92	46926
Fixed Interest † Apr 16	108.7	114.3	7.78	46920
US Small Co Apr 16	148.3	158.6	0.00	46927
Managed Apr 16	108.4	115.3	1.25	46924
Intl Bond Apr 16	112.8	119.0	7.48	47790
Japan Apr 16	77.00	82.36	0.82	47877
European Apr 16	85.65	91.67	1.61	47876
Nth American Apr 16	103.7	111.4	1.26	47878

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-line
Amer Expt Apr 17	49.48	51.46	2.36	41064
Euro Expt Apr 17	50.63	53.17	2.15	41065
Fixed Int Ex Apr 17	46.73	47.89	10.26	46591
Japan Expt Apr 17	47.76	49.67	0.58	41066
Managed Ex Apr 18	45.29	47.11	4.33	41067
SE Asia Expt Apr 17	68.93	72.37	3.75	41068
Sm Cos Expt Apr 17	33.71	35.39	4.95	41069
UK Eqty Ex Apr 17	42.82	44.96	3.87	41070

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Small Co's Apr 2	707.1	752.0	4.5	41138
Do Accum	798.8	849.4	4.5	41139
Int. Expt Apr 17	173.9	177.3	2.55	41140
UK Index Apr 2	1160.0	1185.0	4.9	46945
Do Accum	1249.0	1273.0	4.9	46946
Convertible Apr 17	94.29	97.17	7.93	46938
World ex UK Index Apr 15	799.0	808.0	1.86	47887
Do Accum	799.0	808.1	1.86	47888
Japan Index Apr 15	640.4	649.2	0.59	47881
Do Accum	642.0	650.7	0.59	47882
USA Index Apr 15	961.5	967.1	3.09	47885
Do Accum	985.2	990.8	3.09	47886
Europe ex UK Index Apr 15	880.4	900.6	2.64	47879
Do Accum	900.4	930.9	2.64	47880
Pacific ex Jap Index Apr 15	899.3	924.5	4.36	47883
Do Accum	932.8	958.8	4.36	47884
Managed Exempt Apr 17	105.8	107.6	3.48	40338

Allied Dunbar Assurance Plc—Contd.

Sterling Funds

	Bid Price
Pen Equ Cap	36.8
Pen Equ Acc	34.2
Pen Am Eq Cap	36.6
Pen Am Eq Acc	40.6
Pen Far East Cap	30.8
Pen Far East Acc	34.2
Pen Euro Cap	39.7
Pen Euro Acc	44.0

Japan Capel Funds

	Bid Price
Pen Equ Cap	29.7
Pen Equ Acc	32.9
Pen Am Eq Cap	30.8
Pen Am Eq Acc	34.2
Pen Far East Cap	31.8
Pen Far East Acc	35.3
Pen Euro Cap	33.6
Pen Euro Acc	37.3

Ambassador Life Assce. Co Ltd

80 Holdenhurst Rd, Bournemouth

Equity Fund Acc. 168.0

American Life Insurance Co UK

2-8 Altyre Road, Croydon CR9

Life Funds (Accumulation Units)

	Bid Price
Premier Managed(z)	157.8
Alpha Managed(z)	100.7
HRCA Managed(z)	95.0

Pension Funds (Accumulation Units)

	Bid Price
Premier Managed(z)	189.4
Alpha Managed(z)	110.2

Avon Insurance Plc

Tiddington Rd, Stratford-upon-Avon

Bonus Fund 81.7

INSURANCES

OTHER UK UNIT TRUSTS

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd	105.8	111.4	-	41924
Pension Managed Fd	102.9	108.3	-	41926
Life Deposit Fd	106.1	111.6	-	41923
Pension Deposit Fd	110.7	116.6	-	41925

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	112.4	123.7	-	47150
Managed Growth	139.4	153.5	-	47151
Managed Opportunity	138.6	152.8	-	47152
NFMC Target Financial	103.2	111	-	47153
Pension Funds				
Managed Cautionary	120.8	132.4	-	47154
Managed Growth	146	160.7	-	47155
Managed Opportunity	139.1	153.1	-	47156
NFMC Target Mngt Fnd	1508.7	1639.9	-	47157

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Managed	162.1	170.7	-	43141
UK Equity	171.8	180.9	-	43135
Overseas Equity	135.1	142.3	-	43136
Fixed Interest	143.4	151.0	-	43137
Property	130.8	137.7	-	43138
Index Linked	147.5	155.3	-	43139
Deposit	154.0	162.2	-	43140
With Profits (B)	127.1	133.8	-	44128

National Provident Institution
48 Gracechurch St, London EC3P 3HR 071-623 4200

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

Royal Heritage Life Assurance Ltd—Contd.

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Swiss Life (UK) PLC

CMI Insurance Co Ltd—Contd.

James Capel Financial Services

Hambros Fd Mgrs (CI) Ltd

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

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CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Political risks

STERLING HAS moved from the bottom of the European exchange rate mechanism to be second strongest within a short space of time, leading to attacks on the DM3.00 level against a generally depressed D-Mark.

UK clearing bank base lending rate 12 per cent from April 12, 1991

This poses the question of how much higher the pound is likely to go and in this context it has to be admitted that levels of DM2.9250, DM2.9500 and DM2.9750 proved no barriers to the advance.

An attack on DM3.00 failed early last week but when the German Bundesbank left interest rates unchanged at its council meeting sterling edged up towards DM3.00 again.

The strength of both the wide ranging currencies in the ERM, sterling and the Spanish peseta, has led to suggestions that they may soon move to the narrow 2.25 per cent band.

Reaction from the UK Treasury was to refer back to the chancellor of the exchequer's Budget speech. At that time Mr Norman Lamont said it was his long term intention, but there were no plans for the time being.

This still appears to be the government's policy during a period when sterling could become vulnerable to political risk. Local government elections take place in England and Wales next week, amid expectations that the results will influence the timing of a general election.

If Conservative candidates do well locally it will increase speculation about a June election. Mr John Smith, the shadow chancellor has tried hard to dispel the idea that Labour is the party of devaluation, but foreign investors are likely to remain nervous. On the other hand a return to power of the Conservatives is unlikely to provoke a strong surge in the value of the pound, which tends to leave most of the risk on the downside at present.

£ IN NEW YORK

Apr.19	Close	Previous Close
£ Spot	1.7210-1.7220	1.7510-1.7520
1 month	0.80-0.78pm	0.82-0.81pm
3 months	2.32-2.30pm	2.37-2.35pm
12 months	6.88-6.78pm	7.22-7.15pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Apr 19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.2	-18.9
U.S Dollar	66.3	-13.5
Canadian Dollar	104.9	+2.0
Austrian Schilling	108.2	+11.0
Belgian Franc	109.8	-2.8
Danish Krone	108.1	+3.2
D-Mark	115.7	+23.2
Swiss Franc	112.0	+20.2
Dutch Guilder	112.5	+15.0
French Franc	102.2	-13.4
Lira	98.9	-19.5
Yen	135.7	+67.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Apr.18

STERLING INDEX

CURRENCY RATES

OTHER CURRENCIES

CHICAGO

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Denmark	6.5475 - 6.5850	6.6400 - 6.6450	1.90-2.20oredis	-3.70	5.50-6.10dis	-3.49
Germany	1.7100 - 1.7380	1.7355 - 1.7365	0.40-0.42pfdis	-2.83	1.24-1.27dis	-2.89
Portugal	148.50 - 149.60	149.45 - 149.55	65-75cdis	-5.62	220-245dis	-6.22
Spain	105.60 - 106.90	106.70 - 106.80	61-66cdis	-7.14	178-185dis	-6.80
Italy	1265.50 - 1285.00	1281.75 - 1282.25	5.50-6.00liredis	-5.38	16.50-17.50dis	-5.30
Norway	6.6525 - 6.7450	6.7400 - 6.7450	2.10-2.40oredis	-4.00	6.55-7.05dis	-4.03
France	5.7790 - 5.8600	5.8550 - 5.8600	1.44-1.49cdis	-3.00	4.27-4.40dis	-2.96
Sweden	6.1350 - 6.1950	6.1850 - 6.1900	2.92-3.17oredis	-5.91	9.15-9.60dis	-6.06
Japan	137.40 - 138.60	138.30 - 138.40	0.22-0.24ydis	-1.99	0.59-0.63dis	-1.76
Austria	12.0350 - 12.1450	12.0800 - 12.0850	2.60-3.00grodis	-2.78	8.20-9.40dis	-2.91
Switzerland	1.4515 - 1.4710	1.4700 - 1.4710	0.27-0.30cdis	-2.33	0.81-0.86dis	-2.27
Ecu	1.1890 - 1.2060	1.1905 - 1.1915	0.33-0.30cpm	3.17	0.97-0.92pm	3.17

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Apr.19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.722	2.990	238.3	10.09	2.533	3.368	2208	1.988	61.05	1.447
$	0.581	1	1.736	138.4	5.859	1.471	1.956	1282	1.154	35.45	0.840
DM	0.334	0.576	1	79.70	3.375	0.847	1.126	738.5	0.665	20.42	0.484
YEN	4.196	7.226	12.55	1000.	42.34	10.63	14.13	9266	8.342	256.2	6.072
F Fr.	0.991	1.707	2.963	236.2	10.	2.510	3.338	2188	1.970	60.51	1.434
S Fr.	0.395	0.680	1.180	94.08	3.983	1	1.330	871.7	0.785	24.10	0.571
H Fl.	0.297	0.511	0.888	70.75	2.996	0.752	1	655.6	0.590	18.13	0.430
Lira	0.453	0.780	1.354	107.9	4.570	1.147	1.525	1000.	0.900	27.65	0.655
C $	0.503	0.866	1.504	119.9	5.075	1.274	1.694	1111	1	30.71	0.728
B Fr.	1.638	2.821	4.898	390.3	16.53	4.149	5.517	3617	3.256	100.	2.370
ECU	0.691	1.190	2.066	164.7	6.973	1.751	2.328	1526	1.374	42.19	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 12	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	84.84	84.82	84.92	85.07	85.17	85.35	85.88	82.17	127.4	49.18
Fixed Interest	94.62	94.61	94.66	94.67	94.75	94.77	94.84	90.59	105.4	50.53
Ordinary	1980.1	1996.4	2001.4	1985.5	2003.6	1997.5	2014.5	1606.3	2014.5	49.4
Gold Mines	140.2	139.4	139.0	138.4	140.0	141.3	179.7	127.0	734.7	43.5
FT-Act All Share	1220.16	1228.27	1230.65	1219.96	1229.26	1222.89	1232.32	987.46	1238.57	61.92
FT-SE 100	2520.1	2538.4	2545.0	2519.5	2542.8	2526.1	2545.3	2054.8	2545.3	986.9
FT-SE Eurotrack 100	1122.00	1124.98	1126.20	1113.65	1125.46	1116.71	1126.20	900.45	1126.20	900.45
FT-SE Eurotrack 200	1167.51	1173.06	1172.46	1161.90	1176.39	1164.86	1176.39	938.62	1176.39	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1990: 128.1 and for March 1991: 131.4.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

25 Met. Wtr. 3pc 'B' ... 52 ... 1.8 1Mar 1Sep 3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Week % change	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	50	......	(7.00)	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	50	......	(6.00)	1.2	1Feb 1Aug	2762
-	Do 4pc Mixed Ass.	50	......	(4.00)	3.4	1Apr 10ct	2761
1	Hung. '24 Ass.	55	......	(3.57)	3.5	1May	2936
40	Hydro Quebec 15pc 2011	125¼	-0.7	11.71	27.10	31May 30Nov	-

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 45p per minute peak and 34p off peak, inc VAT

AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
12,997.2	Abbott Laboratories	30¼xd	7.1	1.8	10.4	Fb My Ag Nv	1503
160.1	♦Allegheny & W 1c	308p	-6.9	5.4	-	-	-
1,068.5	Amdahl 5c	972½pxd	2.6	0.6	31.1	Nv Mr Jn Ag	-
3,091.3	Amer. Cyanamid $5	32¾	3.2	2.3	27.2	Mr Je Se De	-
7,667.8	Amer. Express 60c	16½xd	6.9	3.1	31.12	Fb My Ag Nv	1594
23,344.6	American T. & T. $1	21⅝xd	9.6	3.5	27.3	Fb My Ag Nv	1597
15,981.0	Ameritech $1	36½	1.7	4.8	28.3	Fb My Ag Nv	-
-	♦AsiAmerica Equities	255p	0.8	-	-	-	-
4,720.7	BankAmerica $1.5625	22¼xd	4.7	3.1	18.2	Fe My Sp De	1744
2,325.3	Bankers N.Y. $1	28¼xd	11.7	9.5	27.9	Ap Jly Oc Jan	1745
10,861.9	Bell Atlantic $1	27⅝xd	-0.9	4.8	4.7	Fe My Au No	-
13,916.2	BellSouth Corp.	28⅞	0.4	5.2	5.4	Fe My Au No	-
640.0	♦Bethlehem Steel $8	8⅞xd	19.5	2.6	6.2	Mar Jun S D	1821
526.3	Bowater Inc.	1479p	6.8	4.5	6.6	Oc Ja Ap Jy	1884
750.3	Brunswick 75c	8½xd	6.3	2.9	5.2	F My Au N	1989
3,809.7	CPC Intnl 25c	50½xd	6.5	2.2	26.6	Jan Ap Jly Oct	2263
150.2	California Engy	825p	2.1	-	-	-	-
6,758.4	Campbell Soup 15c	49⅞xd	3.9	1.3	4.1	Oc Ja Ap Jy	2050
1,457.4	Chase Manhattan $12½	11⅞xd	17.3	5.9	29.1	Fb My Ag Nv	2109
1,840.6	Chrysler $6¼	8⅞xd	7.4	4.1	13.3	Apr Jul S O	2135
3,123.8	Citicorp $1	9⅞xd	8.8	6.0	23.10	My Au N F	2141
3,215.8	Colgate-Palmolive $1	46½xd	9.1	2.4	21.1	F My Au N	2184
768.0	Cont'l Bank Corp $4	760p	8.1	7.4	31.5	Dc Mr Jn Sp	-
-	♦Corporate Data Sciences	72p	....	-	-	-	-
704.8	Dana Corp. $1	17⅞	7.8	5.2	26.2	Mr Jn Se De	2306
231.2	Data General	838p	3.8	-	-	-	-
4,847.5	Dun & Bradstreet $1	27½	2.8	4.4	13.2	Mr Jn Sp De	-
1,131.4	Eaton Corpn 50c	33½	8.5	3.7	2.2	-	2410
380.3	Echlin Inc.	6⅞xd	3.8	5.7	2.4	Jan Apr Jly Oct	3046
2,797.7	FPL Group 1c	17⅝xd	1.1	7.6	25.2	Mr Jn Sep Dec	-
2,241.4	Fluor Corp 62½pc	27⅞xd	10.9	0.6	22.3	Ja Ap Jy Oc	2609
9,045.6	Ford Motor $1	19⅞xd	8.4	2.9	25.1	Mr Jn S D	2615
37,866.7	Gen. Elect. 63c	42⅞	5.2	2.7	1.3	Ja Ap Jy Oc	2675
-	♦General Host Corp $1	385p	-0.5	4.9	13.12	-	-
4,325.6	Gillette $1	43½	1.5	1.4	27.1	Mar Jun Sep Dec	2695
14.1	Gt American Bank $1	43p	2.4	-	28.10	-	-
788.8	Greyhound Dial $1½	20xd	13.5	3.9	27.11	Ja Ap Jy Oc	2778
962.7	Hasbro Inc 50c	17	27.1	0.7	1.8	Ja No Au My	-
2,587.1	Honeywell $1½	36⅞	11.7	2.3	26.2	Ma Je Se De	2919

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES — Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INDUSTRIALS (Miscel.) — Contd.

INSURANCES

هكذا من الأصل

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

4.04	North West Exp....	12	....	–	–	–	–
–	♥Nor-Quest Res......	9½	5.6	–	–	–	–
–	Oryx Gold Hldgs......	98	2.3	–	–	–	3686
1.39	‡‡Oroca Gold IR 2p...γ	20	....	–	–	–	1470
7.29	Plateau Mining 20p. β	39	....	–	–	–	3407
5370.3	RTZ 10p.............. α	543	–1.3	4.8	2.4	Dec Jul	3880
–	♥Thorco Res. Inc.§..	7½	25.0	–	–	–	–
3.75	♥Vizcaya Hldgs 5p... β	7	....	–	–	–	4193
11.7	♥Young Group 10p... β	125	3.3	5.5	2.4	May Oct	5080

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ₱ Price at time of suspension
- ⁂ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ∟ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Alliance Resources (Section: Oils)

Baring Puma Fund (Trust Finance, Land)

Deletions: Carrol (P.J.) (Regionals)

Cultus Petroleum (Oils)

4:00 pm prices April 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¾	4⅞	RAC Mortg	0.80	0.08	7	121	7¼	7⅛	7⅛	
12⅞	4½	RJRNab W89				3049	11⅞	11½	11⅝	−⅛
16⅝	11⅞	RLI Corp	0.44	0.03	7	79	16¼	15⅞	15⅞	−¼
8	4	RMI Titanm	0.10	0.02	3	291	6⅝	6½	6½	
11¼	6⅞	ROCTaiwan				571	11⅛	10½	10½	−⅝
6¾	4¾	RPS Realty x	0.80	0.14	7	102	5⅞	5¾	5¾	−⅛
73½	48¾	Racal ADR			21	1273	70½	68½	69	−1½
60⅛	46⅞	Ralston Pu	1.08	0.02	16	2161	58⅝	55¾	56⅛	−⅜
29¾	21¼	Raychem Co	0.32	0.01	7	484	26	25¼	25¼	−⅝
38	16¾	RayJames F	0.14	0.00	25	33	35¾	35	35¼	−¼
84½	65⅞	Raytheon	2.40	0.03		82056	80½	79⅞	80⅛	−⅜
36⅝	25⅛	ReaderD A x	0.60	0.02	23	488	36⅞	36	36⅛	−⅜
2½	1½	Reading&B			1	338	2¼	2	2⅛	
17½	12⅞	RealEstlTr	1.42	0.09	13	67	16⅞	16¼	16¾	−⅝
7¼	4⅞	RecognitEq			2	68	7⅛	7	7⅛	+⅛
25¾	10¼	Reebok Int	0.30	0.01	16	4804	25⅛	25	25	−¼
⅜	⅛	Regal Intl			12	4	⅛	⅛	⅛	
12⅞	8⅛	Reich&Tang			7	62	12	11¾	12	
7½	4½	Reliance	0.32	0.05	85	34	6⅛	6	6	−⅛
27¼	20¾	Repsol ADR			12	874	24⅝	24⅜	24½	−⅛
61⅞	47	Repub N Y	1.40	0.02	10	18	59¾	59⅜	59½	
3⅝	1⅛	Resrtne Crp			27	308	2⅝	2½	2½	−⅛
21⅞	16	Reynolds&R	0.84	0.04	9	19	21⅜	21⅛	21⅜	+⅛
60⅜	52	Reynolds M	1.80	0.03	14	647	60⅛	59⅝	59⅝	−⅜
34	23	RhoneP ADR				z100	u34	34	31¾	−2¼
18½	9¾	RhoneP ADS				436	17⅞	17¼	17⅜	−⅛
85¼	67⅞	RhoneP Rer	0.84	0.01	38	331	78¾	78	78⅝	−⅜
19½	10⅛	RhoneP SA				277	18⅞	18⅝	18⅜	−⅛
47¾	35½	Rite Aid x	1.00	0.02	17	511	46⅞	46⅛	46¼	−⅝
⅝	⅛	River Oaks			0	40	u⅛	0.15	0.15	
11⅞	7¼	Robert Hal			14	19	11⅛	11	11	−⅛
20¾	17¼	Roch G&E	1.62	0.08	11	100	19¾	19½	19⅝	+⅛

[illegible]

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49⅞	43¼	Xerox4.125				10	48½	48⅜	48½	+½
21¼	14⅛	Xtra 1.94				70	20⅝	20¼	20¼	
24⅞	14¼	Xtra Corp	0.72	0.03	12	41	23⅞	23⅛	23⅞	
1½	⅝	Zapata	i		0	77	¾	11/16	¾	+1/16
9⅝	6⅛	ZenithElec			4	341	8¼	8⅛	8¼	−⅛
18¼	12	Zenith Nat	1.00	0.06	36	74	17¼	17⅛	17¼	+⅛
6	4½	Zenix Inc x	0.87	0.15		96	5⅞	5⅝	5¾	
14¼	10⅞	Zero Corp	0.72	0.05	14	92	13¾	13⅝	13¾	
41⅝	29½	Zurn Ind	0.88	0.02	14	706	35	34½	35	+¾
13½	10¼	Zweig Fund x				159	13⅛	12⅞	12⅞	−¼
9¾	8½	Zweig Toll x				495	u9¾	9⅝	9¾	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices April 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini		11	21	14	13⅝	14	+⅜
Pet Ht&P	0.31	5	6	9¾	9¾	9¾	
Phil LD	0.16	7	837	18⅜	17⅞	17⅞	−⅜
Pittway A		11	27	27	26¾	27	−⅛
Ply – Gem	0.12	25	95	7⅞	7⅞	7⅞	
PresidioA	0.10	3	320	6⅛	5	5⅛	

[illegible]

NASDAQ NATIONAL MARKET

4:00 pm prices April 19

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wilmington	0.60	19	786	u25	24¼	24⅝	+⅛
WPP Group	1.11	2	859	8	7⅞	7⅞	−⅛
Wyman-Gdn	0.40	16	841	8⅝	8⅛	8⅛	−⅛
- X - Y - Z -							
Xilinx		51	2819	25	23⅞	24⅛	−1¼
XL Data		8	1119	6	d5⅛	5¾	−¼
Xoma Corp		17	5456	31	29¼	29¾	−1¼
YankeeEnS	1.52	17	206	u23¼	22	23	
Yellow Fr	0.94	13	1141	32⅛	30½	31⅞	+1⅛
York Rsch		18	2552	18½	17	17½	−¾
ZionsUtah	1.44	9	120	41½	41	41	−¾

MONDAY INTERVIEW

Sweden's restless iconoclast

Pehr Gyllenhammar, Volvo's executive chairman, talks to **Robert Taylor**

Mr Pehr Gyllenhammar is a man who arouses strong and mixed feelings among his fellow Swedes. For nearly 20 years he ran Volvo, building it up to become the largest private company in Scandinavia. His personal style of enlightened despotism upsets those Swedes who dislike entrepreneurial success and prefer equality to individual achievement. Some question his business acumen, others think him vain and arrogant.

His admirers like his imperial style of running Volvo and his keen sensitivity to changing customer tastes which has given the company a favourable image to a more discriminating car owning public.

Above all, no one has been able to ignore him. For the past five years since the assassination of the former prime minister Olof Palme, Mr Gyllenhammar more than any other has personified to the outside world the changing face of Sweden.

Last October he stepped to one side and handed over the actual running of Volvo to a younger executive, Mr Christer Zetterberg, whose background is in banking and forestry. It was a move that surprised many who could not really believe the charismatic Mr Gyllenhammar was going to disappear quite so easily from the corporate scene he has dominated for so long.

In fact, his resignation as chief executive has not signalled his early retirement. On the contrary, as he will demonstrate at Volvo's annual shareholders meeting on Wednesday, the dapper 56 year old is more ebullient than ever in his new role as the company's executive chairman with more time and energy to take a wider strategic view both of Volvo and Sweden's future in the new Europe.

Articulate and opinionated, he remains an iconoclast ready to point a questioning finger at Sweden's taboos. Take that long-standing holy of holies, Swedish neutrality. "It was the single biggest psychological obstacle to our country joining the European Community." Or the often insular attitudes of his countrymen: "We still have an island mentality."

Last August he gave vent to such views in a controversial article in Sweden's leading newspaper Dagens Nyheter. His passionate diatribe brought a surprisingly sympathetic riposte from Sweden's prime minister Ingvar Carlsson and a short debate on the subject erupted. It ended less than two months later with the astonishing announcement by the ruling Social Democrats that they now favoured Swedish EC membership.

"We move slowly in this country," he explains. "We take small steps in the same direction." His sense of timing on that occasion was acute. He did not dictate the change in attitude but his words hit home publicly at the very moment when Sweden's policymakers were reappraising what neutrality meant in post-Cold War Europe.

Mr Gyllenhammar has helped on other occasions to focus national attention and cast doubt on traditional Swedish attitudes. He argues that the tide of opinion is now moving decisively in the free market direction he has advocated for a long time.

"Over the past 20 years Sweden went much too far in creating an over-dominant public sector based on high taxation. The Social Democrats did not nationalise industry but they thought they were free to nationalise people's incomes," he explains. "As a result the country became unbalanced."

Mr Gyllenhammar believes Sweden is suffering from what he calls a "lost dynamism" resulting from stagnant economic growth. But he also thinks it is moving rapidly towards the creation of a social market economy under those same Social Democrats who did so much to make the country uncompetitive. Unfashionably, he has words of praise for the much reviled Mr Carlsson. "I think he has been very courageous."

"Sweden could have been paralysed over the past two years but it has not been. Mr Carlsson's government has been making all the changes necessary." He points to the country's recent reform that shifts the tax burden from incomes onto goods and services; the compromise over nuclear power that means reactors will not be closed down prematurely; and above all to the abolition of foreign exchange controls and the greater financial freedoms that have come to Sweden.

In his opinion, the current record low unpopularity of the Social Democrats (they only have 30 per cent support in the polls) five months before the next general election stems from the bewilderment of many of the party's own loyalist supporters at the magnitude of the liberalising changes it has made. "The exceptional domination of Sweden by the Social Democrats may well be coming to an end," he says.

Mr Gyllenhammar is also convinced opinion is moving favourably his way on the vexed question of collective bargaining. For years he has campaigned to break up Sweden's famed system of centralised wage negotiations. "We have much more flexibility in Volvo than we had 10 years ago," he argues. "In the past we more or less had equal pay for everyone. It seemed rational at the time."

He is also convinced the Swedish Krona should be linked to the exchange rate mechanism of the European Monetary System. "We cannot devalue any more. Now we are about to apply for membership of the EC, it would be good for Sweden to accept the necessary financial disciplines from the outside that we need to reform ourselves."

Unlike other Swedish employers, he takes a highly radical view of the controversial issue of company law. Mr Gyllenhammar is a strong opponent of Sweden's elaborate two-tier system of share ownership which enables companies to be controlled through acquiring a large number of voting shares but very little equity. "I have always been in favour of the principle of one vote, one share," he says.

In his new job Mr Gyllenhammar spends a great deal of his time on the construction of Volvo's new strategic alliance based on cross-ownership with the French state-owned company Renault, a move which has aroused doubts and criticisms across the auto industry worldwide. Many observers question whether the two companies have enough in common to work closely together and point to what they see as the lack of any single central control in the alliance.

Moreover both Volvo and Renault have suffered financial setbacks over the past year, with Volvo recording a loss in 1990 for the first time in 60 years.

Mr Gyllenhammar does not seem unduly worried. "We are going through a rough time, especially on the car side, but we have strong reserves," he explains. "We have new models in the pipeline over the next five years which will return us to a highly competitive position."

And he still insists the marriage will work. "There are no escape clauses in our agreements with Renault," he admits. "There is only one way for us to go and that is forward. The realisation of this is what is pushing us together."

Fluent in English and French, Mr Gyllenhammar himself moves easily around western Europe as a founder member of the Business Roundtable of European industrialists.

And he is concerned about how Europe will develop during the 1990s. He has co-founded another organisation designed to promote the cause of the north. "In Germany interests are moving south. We are already talking about a Milan-London axis and one from Madrid to Frankfurt." He believes this must be counterbalanced by another axis that links up the Nordic region to north Germany.

It almost sounds as if Mr Gyllenhammar is devoting more time to such grand strategic questions these days than to his own business. But he is certainly not short of work. On Wednesday, he will be confirmed as deputy chairman of Sweden's largest bank, Skandinaviska Enskilda Banken. Last week he became an adviser to the newly-formed European Bank for Reconstruction and Development in London.

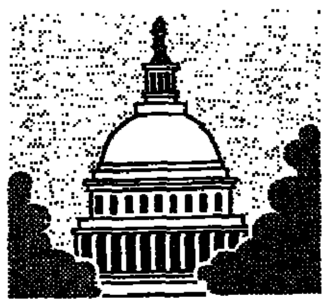
Sometimes, he implies, his energy level seems too high for the lofty position he now occupies. "My new job is a big change for me," he admits. "I am nervously active and there are days when I do feel uncomfortable." But he insists he is never tempted to stride down the corridor from his own office in Volvo's ultra-modern headquarters to become Mr Zetterberg's back-seat driver. "On the contrary, I walk the other way."

'We are going through a rough time'

PERSONAL FILE

- **1935** Born in Gothenburg, son of president and chief executive, Skandia. Educated Lund University.
- **1959** Married Eva Christina, daughter of Gunnar Engellau, the then chief executive of Volvo.
- **1961-64** Amphion Insurance Co, Gothenburg.
- **1965-1970** Skandia Insurance Co, becoming president and chief executive officer.
- **1971-1990** Chief executive, Volvo.
- **1990** Executive chairman of Volvo.

The underclass is no illusion



MICHAEL PROWSE
on America

"There is no underclass", screamed a headline in the Wall Street Journal last week. I was tempted to phone the Journal's editor and suggest that he spend six months living on welfare in a decaying part of south-east Washington. The headlines might change if he could feel the filth, hear the gunshots, smell the drugs and see the despair of the jobless.

The article, to be fair, was sober and well-informed. Mr Christopher Jencks, a sociologist at Northwestern University argued that the term "underclass" is likely to mislead. It conjures up a chronically jobless high school drop-out with no money, two or three illegitimate children, a criminal record and a history of welfare dependence. Yet few people, claims Mr Jencks, fit such a stereotype. In reality, the US has many different social problems which are only loosely connected. Some, such as long-term unemployment, are growing more severe; others are gradually improving. Instead of wasting time searching for a single blockbuster cure for an illusory disease, the problems should be tackled one at a time.

Mr Jencks's argument is developed in The Urban Underclass, a book co-edited by Mr Paul Peterson, a Harvard political scientist. Last week, the Brookings Institution (the publisher) hosted a high-powered seminar to launch the book. Mr Jencks and Mr Peterson, the supposed stars of the show, proved to be grey, professorial types. In purely theatrical terms, both were overshadowed by two figures occupying polar opposite positions in the underclass debate: Mr William Julius Wilson, a black sociologist from the University of Chicago, and Mr Charles Murray, a conservative fellow at the Manhattan Institute.

Oversimplifying somewhat, Mr Murray regards the underclass as the product of lax morals – such as public acceptance of out-of-wedlock childbirth – and over-generous social benefits. Mr Wilson sees the ghetto poor primarily as casualties: victims of the structural decline in urban manufacturing employment and the upward mobility of the black middle class, who migrated out of inner cities to a better life in the suburbs.

Both were on form at the seminar. Mr Murray, an unabashed advocate of an extreme form of 19th century laissez faire, has cultivated a soft, exaggeratedly polite speaking style. His argument is usually outrageous but the sweetly reasonable tone seems to be saying "listen to me, I'm really a terribly decent chap". It is the kind of voice that would tempt an inarticulate opponent to punch his nose.

Mr Wilson is more emotional, but seems to project an almost tangible moral authority. The ghettos, I am sure, offend his heart as much as they offend his reason. Last week, his booming, angry voice filled the auditorium as he dismissed Mr Jencks's classroom thesis that the underclass, as such, does not exist. He smouldered when Mr Murray suggested that kids suffer in ghettos because unmarried black women are simply bad mothers, not caring properly for their children even when they have the resources. When Mr Murray proceeded to argue that the failure of ghetto labour participation rates to rise when the economy is buoyant shows that young blacks do not respond to economic incentives, he erupted.

"That's a diabolical suggestion," he shouted at Mr Murray, who remained unruffled, as though the topic were how to make cucumber sandwiches.

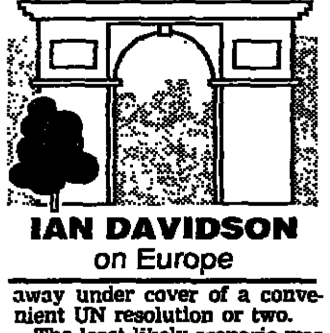
Mr Wilson defines an underclass as a group that is weakly attached to the labour force and lives in a social environment that reinforces this economic marginality. In practice, the definition applies to areas of concentrated poverty in big US cities. Looked at this way, the underclass has certainly grown significantly in the past two decades. It is, moreover, as much an ethnic as a geographic phenomenon: two thirds of America's 2.4m ghetto poor are black; only 2 per cent of poor whites live in urban ghettos compared with 16 per cent of poor Hispanics and 21 per cent of poor blacks.

Mr Murray believes passionately that government action is likely to aggravate the problems of the ghettos. Mr Jencks seems happy with piecemeal social policies because his graphs of crime, joblessness, illegitimacy and so forth diverge somewhat. Mr Wilson's diagnosis seems nearest the mark: the location and composition of the underclass can be identified; therefore, given political will, the nexus of problems it represents can be tackled simultaneously.

An underclass is formed by a physical concentration of social problems. All the evidence suggests that the prospects of the poor and jobless improve if they can escape an environment in which most of their neighbours live in a similar condition. The long-term solution thus appears obvious: the ghettos must be razed and the residents relocated to suburban middle class areas – thinly spread, of course, so as not to disturb the social character of stable areas.

It could be done: few of the ghetto poor would refuse an opportunity to live in a clean, safe neighbourhood with good schools and plentiful jobs. And the cost might be less than that of the space programme. It will remain a dream mainly because white middle class Americans will not stand for it: black families who move into the "wrong" districts still run the risk of being fire-bombed. So far as comfortable America is concerned, the underclass should stay out of sight and out of mind. And if helpful professors can prove that it does not exist, so much the better.

Interference: duties and rights



IAN DAVIDSON
on Europe

With appalling swiftness, the Kurdish refugee catastrophe has put the brilliance of the military victory in the Gulf into a chilling new perspective. Even before a shot was fired, it was obvious that the UN-backed coalition was courting political disaster. These fears are now confirmed. But it is a terrible pity that it has taken the deaths of tens of thousands of Kurds and Shias to prick the bubble of naive self-satisfaction over what looked like a surgical military victory.

As US illusions have been shattered, President George Bush has been harshly criticised for the apparent failure of plans for a new world order. Military victory seemed to promise a rapid return home for the troops; instead, the US, with Britain and France, is embarking on a new operation to protect the Kurdish refugees – one which must be open-ended in time and scope, and will probably end badly.

Some blame the disaster on military errors in the tactics of war termination. The US had command of the air, and could have prevented Saddam Hussein's helicopter massacres of Kurdish and Shia communities. In narrow terms, this criticism may be well-founded; but it is beside the point.

The point is that the war was likely to start a political chain reaction, which could not be controlled from outside nor interdicted by military means. The UN coalition was always confident of military victory against Iraq, but thereafter it was likely to face two uncomfortable options: it could take responsibility for the ensuing mess, or it could walk away under cover of a convenient UN resolution or two.

The least likely scenario was that an efficient war would be followed by an effective peace; and so it has proved. Victory was quick and total, and the mess is comprehensive.

Some have compared the Gulf war of 1991 and the Falklands war of 1982. In both cases an autocratic regime invaded and captured a neighbouring territory to which it had long laid claim; in both cases the invading power was breaking international law, and had to be evicted by military force.

The analogy breaks down, however, over a difference of geography: Kuwait shares a land frontier with Iraq; the Falkland Islands are separated from Argentina by a large stretch of Atlantic Ocean. British military operations in 1982 were confined to a restricted zone round the Falklands; once the Argentines were defeated militarily on the islands, the UK was insulated from any responsibility for the political fall-out in Argentina by 500km of open sea.

In the Gulf war, there was no sensible way of evicting Iraq from Kuwait without carrying the war into Iraqi territory, first by bombing, and then by invasion; but once the primary military victory was won, and US forces had come to rest in southern Iraq, they were saddled with significant responsibility for the local political fall-out. That responsibility could not be ended by the formal end of the war.

In response to the Kurdish catastrophe and the desperate sufferings of the refugees, President Mitterrand has put forward a new concept for the international law books: a "right of interference" which, on ethical and humanitarian grounds, should be able to over-ride the domestic sovereignty of a national state. His moral feelings do him credit; but his proposal is altogether too modest when set against the reality of the situation on the ground.

The historic plight of the Kurds antedates the Gulf war by many decades, and the primary responsibility for their suffering must be laid at the door of the governments of the region. But since the Kurds' present distress is directly linked to the Gulf war, the UN coalition has not just a right, but a moral duty to interfere on their behalf, and perhaps on behalf of the Iraqi people in general.

Mr Bush is criticised for not delivering his new world order, but the criticism is unjust. If a UN-authorised war to drive Iraq out of Kuwait is part of the new world order, then you have to take what comes with it: the right of force projection comes with the duty of interference. If the problem is Iraq and Saddam Hussein, then there is no surgical solution.

It is not clear whether Mr John Major has reached, in principle, a similar conclusion. Yet the British prime minister's plan for safe havens for the Kurds has carried the duty of interference a long way forward. No matter if his initial motive was primarily domestic, to rebut accusations of political weakness; his impulse has nevertheless changed the international agenda.

It is also having a double effect in Europe: it is changing the political agenda for the Europeans, and it may be changing the European agenda for the British.

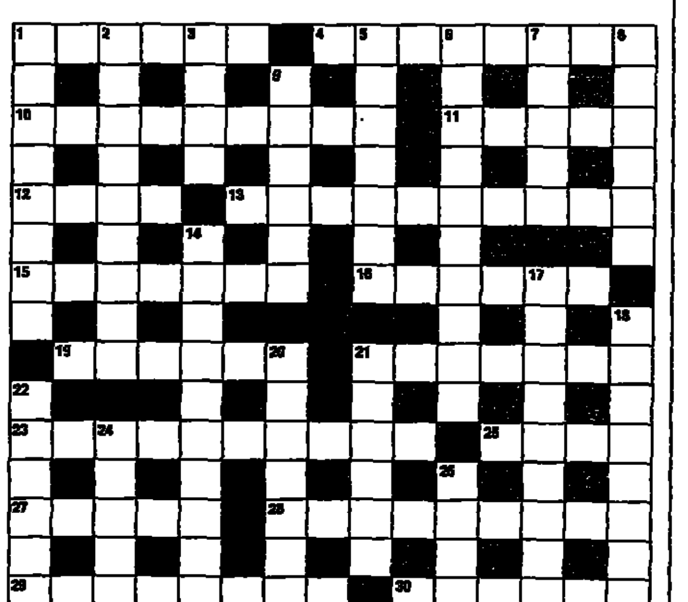
In response to the unification of Germany, Mr Mitterrand insisted that political union in Europe must go hand in hand with economic and monetary union, and Chancellor Helmut Kohl was only too ready to agree. But the Gulf crisis has proved that the stakes in political union are much more than theoretical, and former great powers such as Britain and France have demonstrated that they intend to play a world role.

But a world role for these countries is now only possible in the context of, and with some moral backing from, membership of the European Community. If Mr Major needs to add some inches to his stature, the Community is the place that can supply platform soles. He already knows that there are no political prizes to be won from foot-dragging on economic and monetary union. So maybe it is better politics to represent the Community, not as the black citadel of supranationality, but as a gleaming fortress to sustain British greatness.

JOTTER PAD

CROSSWORD

No.7,524 Set by QUARK



ACROSS

1 Reckless aide-de-camp takes part in plan (6)
4 Country side (4,4)
10 Fish following sailor character having a lean time (4,5)
11 Rose I put in an arrangement for basket-maker (5)
12 House seen in close (minister's?) (4)
13 Pen and ink that's not removable, we hear (10)
15 There's merit in changes being temporary (7)
16 Say award is to be returned? You'll need a drink (6)
19 Minister's comeback in bad untidy part of speech (6)
21 Good paint mixer (7)
23 In the way of Thomas? (10)
25 Knocks back the mineral (4)
27 Rush of air round indicates great enthusiasm (5)
28 There's a variety of choice with cue in this sport (3,6)
29 Come down more in the scales? (8)
30 Part of ship with navy on board: that's the important thing (6)

DOWN

1 Superb jam, etc. is spread here (8)
2 Reduced severely – made it somehow after one month (9)
3 Some decimal solutions in addition (4)
5 Put name on permit (7)
6 In a wholehearted way, though untidily (10)
7 Exclusive English literature – the first to enjoy (5)
8 Victim thrown up in hairy trampolining (6)
9 Senior minister going about mechanical routine temporarily (3,3)
14 Polish tree could be hiding-place for father (6,4)
17 Frank being defeated in a debate? (9)
18 This is simply a giveaway (8)
20 Building up one's account on the side? (7)
21 It's over the window in the chapel (Methodist) (6)
22 Notice a turn round one must be slow (6)
24 Complaint put out round Kent for example (5)
26 Drill's a bind (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 4.